

STATE OF KANSAS
Department of
Administration



Division of Accounts & Reports

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2001 to June 30, 2002

A handwritten signature in cursive script, reading "Joyce H. Glasscock".

Joyce Glasscock
Secretary

A handwritten signature in cursive script, reading "Dale Brunton".

Dale Brunton
Director

STATE OF KANSAS
Department of
Administration



*Joyce
Glasscock*

Secretary
of
Administration



Dale Brunton

Director
Accounts & Reports

State of Kansas
Fiscal Year 2002 Financial Report
June 30, 2002

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INTRODUCTION



DEPARTMENT OF ADMINISTRATION

Division of Accounts and Reports

BILL GRAVES
Governor

JOYCE H. GLASSCOCK
Secretary of Administration

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December 9, 2002

The Honorable Bill Graves, Governor of the State of Kansas,
Members of the Legislature and
Citizens of the State of Kansas:

It is my pleasure to submit to you the forty-ninth Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2002, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This report has been converted to a Comprehensive Annual Financial Report (CAFR) and has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35. The objective of this new reporting model is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

This report is presented in three sections. The Introductory Section includes this transmittal letter, the organizational chart and a listing of selected officials. The Financial Section includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements and notes, the Required Supplementary Information and the combining statements for the nonmajor funds. The Statistical Section includes unaudited tables and financial trend information.

This report is prepared by the Department of Administration, Division of Accounts and Reports. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state government and this office. The enclosed information is accurate in all material respects and is reported to present fairly the financial position and activities of the State of Kansas. All necessary disclosures to enable the reader to understand the State's financial activities have been included. The prior year report was prepared on a modified cash basis of accounting. This fiscal year 2002 CAFR has been converted to generally accepted accounting principles (GAAP).

The state's financial statements have been audited by Allen, Gibbs & Houlik, L.C. and Berberich Trahan & Co., P.A., two firms of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Kansas for the fiscal year ended June 30, 2002 are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

PROFILE OF THE GOVERNMENT

The state government is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court and the District Trial Courts. The state provides a full range of services including education, safety, social services, recreation and transportation. The annual budget serves as the foundation of the state's financial planning and control. On or before October 1 agencies are required to submit annually or biennially budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the Legislature on or before the 21st calendar day of that regular session.

FINANCIAL INFORMATION

Kansas has a centrally-maintained computerized double-entry accounting system. Management is responsible for establishing and maintaining an internal control structure to ensure that government assets are protected from loss, theft or misuse, and that adequate data are compiled to prepare meaningful financial statements. Internal accounting controls have been implemented for reasonable, but not absolute, assurance for safeguarding assets and accurately recording financial transactions. "Reasonable assurance" is based upon the premise that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of cost and benefits requires estimates and judgements by management. As a recipient of federal financial assistance, the state is also responsible for implementing internal controls for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

The state also maintains budgetary restrictions and controls which are imposed through annual appropriations and limitations approved by the Legislature. Annual appropriated budgets are adopted for the State General Fund and certain Special Revenue, Capital Project, Enterprise, Internal Service and Trust and Agency funds. The level of budgetary control in the central accounting system is usually established by agency, fund and budget unit. Budgetary control is maintained by mechanisms in the accounting system which prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and as reserved and designated fund balances in the financial statements included in this report.

CASH MANAGEMENT

On a daily basis, the state monitors receipts to, and expenditures out of, the State Treasury. It also employs cash flow tools and techniques that maximize revenues without incurring undue risk. The state invests idle funds to match anticipated cash flow needs by using government securities, collateralized bank deposits, and commercial paper to provide safety, liquidity, and yield, in that order. As a cash flow management policy, the state seeks to avoid borrowing from its own idle funds to meet expenditure obligations of the State General Fund.

The state maintains investments in addition to idle moneys. Authorized agencies may make investments independently of the State Treasury pooled cash. Generally the Pooled Money Investment Board (PMIB) acts as agent for these investments. Certain funds, such as Kansas Public Employees Retirement System and the Employment Security Fund, are statutorily exempted from PMIB oversight. Investments of the Municipal Investment Pool, an investment option established by the 1992 legislature for local governments, are also made by the PMIB.

RISK MANAGEMENT

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (prescription drug and dental plus three of eight medical health plan options), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to \$ 500,000 (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on real property valued at \$500,000 or more (except where separate coverage required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Risk is managed by positively addressing various benefits and liabilities through review, legislation and administration to assure that claims are promptly and correctly adjudicated and that appropriate and fair benefits and liabilities are reflected in the statutes and regulations. Where cost effective and appropriate, such as limiting the impact of a catastrophic occurrence to the state buildings, the state has limited its exposure through high deductible catastrophic loss insurance.

PENSION TRUST FUND OPERATIONS

The Kansas Public Employees Retirement System is an umbrella organization administering three statewide retirement systems under one plan. These systems are Kansas Public Employees Retirement System, Kansas Police and Firemen's Retirement System and Kansas Retirement System for Judges. Further information on State participation in the retirement system can be found in Note IV D of the Financial Section.

ACKNOWLEDGMENTS

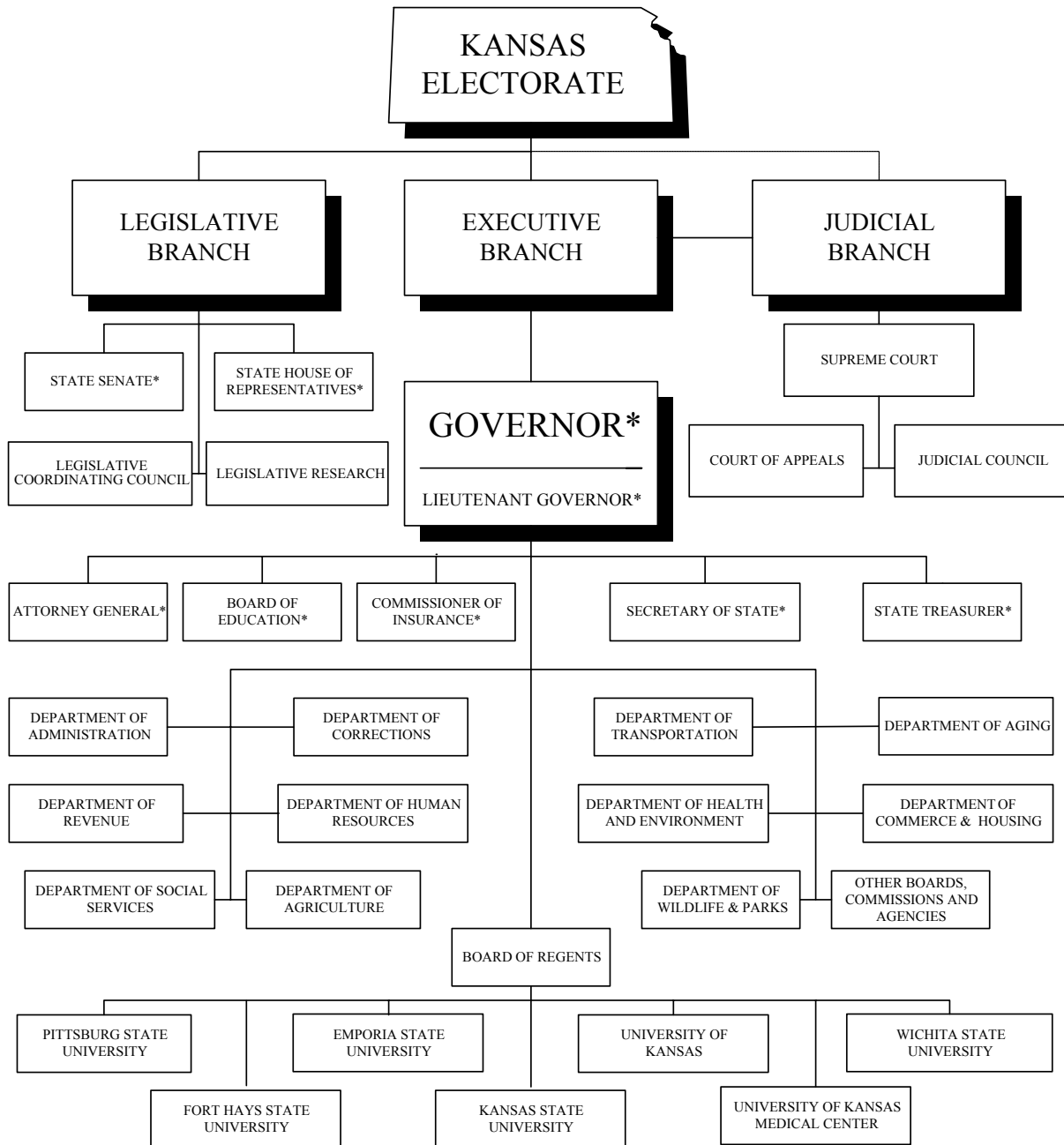
I wish to express my deepest appreciation and thanks to those on my staff responsible for the preparation of this report. It is through their dedicated effort that this report was made possible. This is the first GAAP Financial Report issued by the State of Kansas – further complicated by the new requirements of Statement 34 of the Governmental Accounting Standards Board. Unless one has been involved in the process of producing a report similar to this, it is impossible to comprehend the amount of work required to accumulate and summarize the fiscal year activity for the entire State, and then restate it in an entirely new format in these relatively few pages. I also wish to thank the many other individuals in the state agencies without whose contributions this report would not have been possible.

Sincerely,

A handwritten signature in black ink that reads "Dale Brunton". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

Dale Brunton, Director
Division of Accounts and Reports

Organizational Chart

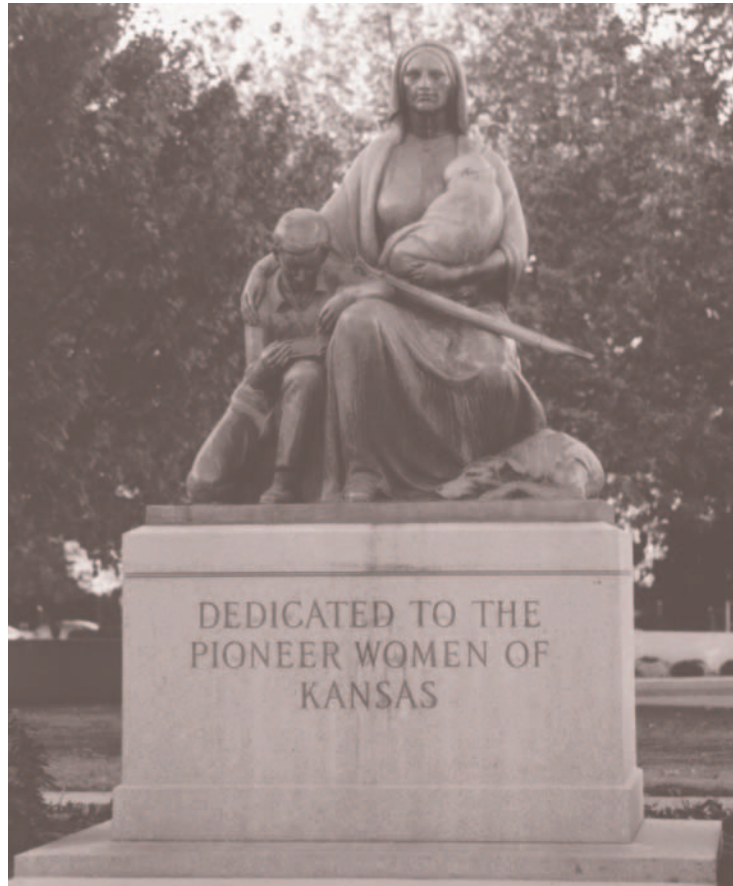


*ELECTED OFFICIALS

State of Kansas
Introduction
June 30, 2002

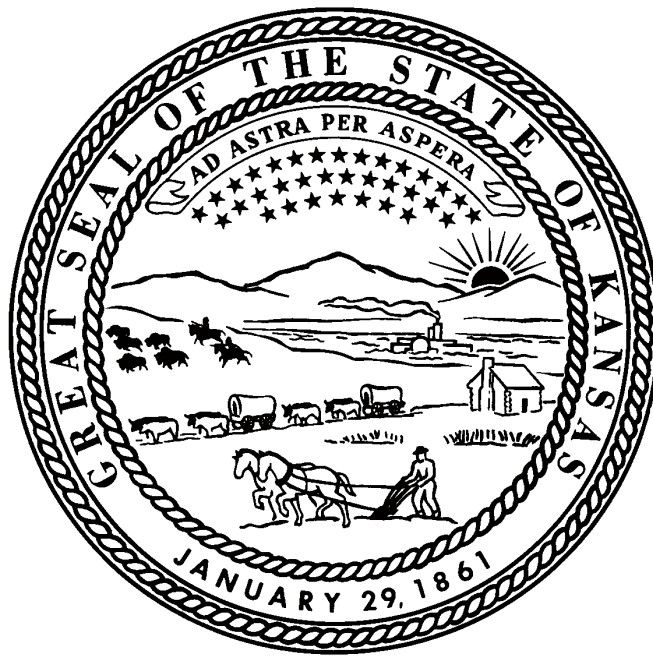
Listing of Selected Officials

Executive Branch	Legislative Branch	Judicial Branch
<i>Governor</i> Bill Graves	<i>Speaker of the House of Representatives</i> Kent Glasscock	<i>Supreme Court of Kansas</i> <i>Chief Justice</i> Kay McFarland
<i>Lieutenant Governor</i> Gary Sherrer	<i>Speaker Pro Tempore of the House of Representatives</i> Clay Aurand	<i>Justices</i> Tyler C. Lockett Donald L. Allegrucci Fred N. Six Bob Abbott Robert E. Davis Lawton R. Nuss
<i>Secretary of State</i> Ron Thornburgh	<i>President of the Senate</i> Dave Kerr	<i>Court of Appeals</i> Gary Rulon
<i>State Treasurer</i> Tim Shallenburger	<i>Vice President</i> Sandy Praeger	<i>Judicial Council</i> Randy Hearrell
<i>Attorney General</i> Carla Stovall	<i>Chief Clerk of the House of Representatives</i> Janet E. Jones	<i>Judicial Administrator</i> Howard P. Schwartz
<i>Board of Education</i> John A. Tompkins	<i>Legislative Coordinating Council</i> Dave Kerr	
<i>Commissioner of Insurance</i> Kathleen Sebelius	<i>Legislative Research</i> Ben F. Barrett	



Statue Dedicated to the Pioneer Women of Kansas

FINANCIAL
SECTION



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INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee
Kansas State Legislature
State of Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State), as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the various component units of the six state universities which represent 14 percent and 12 percent, respectively, of the assets and revenues of the University system fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities in the University system fund, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

As described in Note I Summary of Significant Accounting Policies, the State has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments as of June 30, 2002.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 6 to 12 and the schedules of budgetary comparison, Kansas Public Employees Retirement System schedules and the information needed to support the modified approach for infrastructure reporting on pages 71 through 85 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allen, Gibbs & Houlik, L.L.C.

December 9, 2002
Wichita, Kansas

Berberich Trahan & Co., P.A.

December 9, 2002
Topeka, Kansas



Kansas State Capitol

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the State of Kansas Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2002. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Because the state is implementing new reporting for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. Comparisons will be more meaningful in the future and will go further in explaining the state's financial position and results of operations.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

- The assets of the state exceeded its liabilities at fiscal year ending June 30, 2002 by \$10.8 billion (presented as "net assets"). Of this amount, \$2.0 billion was reported as unrestricted net assets which represents the amount available to be used to meet ongoing obligations to citizens and creditors.
- Total net assets decreased by \$324 million (2.9% decrease) in fiscal year 2002. Net assets of governmental activities decreased by \$356 million (3.8% decrease), and net assets of the business-type activities increased \$32 million (2.0% increase).

Fund Highlights:

- For fiscal year 2002, the governmental funds reported a combined ending fund balance of \$1.3 billion, a decrease of \$521 million in comparison with the prior year. Of the total amount, \$916 million represents fund balance of the Transportation Fund. There is \$327 million in the "unreserved fund balances" with 56.3% in the Transportation Fund and 18.5% in the State General Fund. This unreserved \$327 million is roughly 4.2% of the total governmental fund expenditures for the year. The designated balances of \$970 million include the reserve for inventory of \$21 million and the reserve for encumbrances of \$903 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Kansas basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules, Kansas Public Employees Retirement System schedules, and Kansas Department of Transportation modified approach) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the state – the ***Government-Wide Financial Statements*** and the ***Fund Financial Statements***. These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad view of operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the financial position, to assist in assessing the state's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This method is similar to those used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *Statement of Net Assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with state government fall into this category, including education, general government, health services, judiciary services, museums, natural resources, public safety, defense, regulatory services, social services, and transportation.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities include Employment Security Fund (by the Department of Human Resources); the Health Care Stabilization Fund; the Workers' Compensation Fund; and the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Department of Health and Environment). These programs operate with minimal assistance from the governmental activities of the state. Also included in the business-type activities are the state universities.

Discretely Presented Component Units – These are operations for which the state has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The component units include Kansas Development Finance Authority (KDFA) and Kansas Technology Enterprise Corporation (KTEC).

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about component units are presented in the notes to the financial statements. The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds Financial Statements – Most of the basic services provided by the state are financed through governmental type funds. Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. This information may be helpful in evaluating the government's near-term financial requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of state finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the state.

Because the focus of governmental funds is narrower than that of the government statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The state has four governmental funds considered major funds for presentation purposes. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The four governmental funds are – the General Fund, the Transportation Fund, the Transportation Capital Project Fund, and the Social and Rehabilitation Services Fund. The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The state has five enterprise funds considered major proprietary funds for presentation purposes. As previously mentioned, they are Employment Security Fund (by the Department of Human Resources), Universities, Workers' Compensation Fund, Health Care Stabilization Fund and the Water Pollution Control and Public Water Supply Revolving Loan Fund (by Department of Health and Environment).

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the state’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The fiduciary funds are the Kansas Public Employees Retirement Fund, the Municipal Investment Pool Fund (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool), and the Agency Funds (which account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds can be found immediately following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which consists of schedules and related notes. Schedules include budgetary comparisons for the major funds, Kansas Public Employees Retirement System Schedules and Kansas Department of Transportation modified approach explanation. Comparisons can be made between the original budget, final budget, and actual. This section also includes in the notes a reconciliation between budgetary basis and the accrual basis as presented in the governmental fund financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the financial position of a government. The combined net assets of the state (government and business-type activities) totaled \$10.8 billion at the end of 2002, compared to \$11.1 billion at the end of the previous year.

The largest portion of net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The state uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the ongoing obligations to citizens and creditors. Internally imposed designations of resources are not represented as restricted net assets.

At the end of the current fiscal year, the state is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

Net assets decreased by \$324 million or 2.9 percent. Approximately 45.5 percent of the total revenue came from taxes, while 32.6 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 13.4 percent of the total revenues. Expenses cover a range of services. The largest expenses were for general (public schools) and higher education, social services, and highways.

Governmental Activities

Governmental activities decreased net assets by \$356 million.

Business-Type Activities

The business-type activities increased the net assets of the state by \$32 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balance of \$1.3 billion, a decrease of \$521 million in comparison with the prior year. Part of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior fiscal year (\$903 million) or 2) for inventory (\$21 million).

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$60.6 million, while the total fund balance reached \$83.4 million. As a measure of liquidity of the General Fund, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1.6 percent of total general fund expenditures, while total fund balance represents 2.3 percent of that same amount.

The fund balance of the General Fund decreased by \$480 million during the current fiscal year. This is a 85.2 percent decrease from the prior year.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences existed between the original budget and the final budget. Revenue estimates were lowered by approximately \$278 million and expenditure estimates were increased by approximately \$8 million. The original estimates provided for an excess of expenditures over revenues of \$28 million. The final budget provided for an excess of \$314 million of expenditures over revenues. In reality, fiscal year 2002 was closed with an excess of expenditures over revenues of \$357 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

State investment in capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$10.5 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The Kansas Department of Transportation used the modified approach for valuing their infrastructure. The roadways' conditions are assessed using a pavement management system. The bridges' conditions are assessed using the Pontis Bridge Management System. The conditions for the roadways and the bridges exceeded the Department's policy for minimum condition levels.

The total increase in the investment in capital assets for its governmental and business-type activities for the current fiscal year was about 4.9% in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$123 million. Additional information on the capital assets can be found in Note III of the notes to the financial statements of this report.

Debt Administration

The State of Kansas does not have the statutory authority to issue general obligation bonds. The Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. It was created to enhance the ability of the state to finance capital improvements and improve access to long-term financing for state agencies, political subdivisions, public and private organizations, and businesses.

The total long-term bond debt obligations increased by \$153 million during the current fiscal year. The key factor in this increase was the issuance of \$141 million of Water Pollution Control revenue bonds Series 2001.

Additional information on long-term debt obligations can be found in Note III of the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

According to the Kansas Department of Human Resources *Kansas Labor Market Information News Release* for July 2002, employment in the State of Kansas for June 2002 was at its highest level since July 1999. Compared to June 2001, employment was up approximately 62,551. Modest gains were shown in most industries. The unemployment rate was 4.6 percent for June 2002 compared to 4.4 percent for last June and the seasonally adjusted national rate for June 2002 of 5.9 percent.

The Kansas Department of Commerce and Housing reported for 2002 that Kansas' per capita personal income was \$28,565 and ranked 36th of all the states. The national per capita personal income was \$30,472 in 2001. The cost of doing business in Kansas is 92.0 when compared to the national average of 100.0.

The University of Kansas Policy Research Institute reports in the Kansas Economic Outlook, dated June 2002, that job growth (persons employed) will be flat in 2002, as Kansas experiences a sluggish recovery, but will resume in 2003. Personal income will grow 2.2 percent in 2002 and 3.9 percent in 2003. These rates are down from the 5.2 percent increase in personal income during 2000, but are still in a range that will mean real personal income increases for Kansas.

Estimates for the State General Fund are developed using a consensus revenue estimate approach. Pursuant to K.S.A. 75-6701, on or before each December 4 or each April 4, the Director of the Budget and the Director of the Legislative Research Department shall prepare a joint estimate of revenue to the State General Fund for the current and the ensuing fiscal year. If legislation is passed affecting State General Fund revenue, the two directors prepare a joint estimate of such revenue. If the two directors are unable to agree on the joint estimates, the Legislature must use the estimate of the Director of Legislative Research and the Governor must use the estimate of the Director of the Budget. (To date, the two directors have successfully reached agreement on these revenue estimates.)

As this document goes to press, the latest consensus revenue estimates indicated a continued slump in the collection of state revenues for fiscal years 2003 and 2004. Due primarily to reduced revenues from personal and corporate income taxes in August 2002, the Governor initiated a \$41 million decrease in the State General Fund budgets of state agencies. The Consensus Revenue Estimating Group met in November 2002 and further decreased revenue estimates by an additional \$255 million for the remainder of fiscal year 2003. Estimates for fiscal year 2004, using fiscal year 2003 base expenditures, indicate a revenue shortfall of \$350 - \$858 million, depending upon funding levels by the 2003 Legislature for funding education, entitlement programs, statutory transfers, and the desired amount of the ending balance in the State General Fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of state finances for all of Kansas' citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate state accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Dale Brunton, Director of Accounts and Reports
900 S.W. Jackson, Room 351S
Landon State Office Building
Topeka, KS 66612-1248

State of Kansas
Financial Statements
June 30, 2002

Government Wide - Statement of Net Assets
--

June 30, 2002
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Cash and cash equivalents	709,266	346,083	1,055,349	7,019
Investments	862,585	441,587	1,304,172	9,487
Receivables (net)	556,026	562,860	1,118,886	4,921
Due from primary government				
Investment in direct financing leases, due within one year	0	0	0	17,235
Investment in direct financing leases, due in more than one year	0	0	0	236,740
Internal balances	4,000	-4,000	0	0
Inventories	20,940	12,740	33,680	0
Other current assets	1,852	17,199	19,051	4
Restricted cash and cash equivalents	69,292	537,694	606,986	0
Restricted investments	0	57,331	57,331	0
Capital assets (net of accumulated depreciation)	874,959	1,002,427	1,877,386	675
Infrastructure	8,619,944	0	8,619,944	0
Other non-current assets	6,298	41,742	48,040	0
Total assets	11,725,162	3,015,663	14,740,825	276,081
LIABILITIES				
Accounts payable and other current liabilities	570,542	155,794	726,336	3,199
Due to component unit				
Lease revenue bonds payable, due within one year	17,235	0	17,235	0
Lease revenue bonds payable, due in more than one year	236,740	0	236,740	0
Deferred revenue	27,146	66,631	93,777	1,590
Bonds payable on demand	200,000	0	200,000	0
Short-term notes payable	4,100	0	4,100	0
Noncurrent liabilities				
Due within one year	141,712	71,514	213,226	17,235
Due in more than one year	1,372,204	749,690	2,121,894	236,740
Claims and judgements	17,559	337,200	354,759	0
Total liabilities	2,587,238	1,380,829	3,968,067	258,764
NET ASSETS				
Invested in capital assets, net of related debt	7,494,576	714,933	8,209,509	0
Restricted for:				
Capital projects	0	20,488	20,488	0
Debt service	47,184	77,734	124,918	0
Other purposes	13,023	414,897	427,920	0
Unrestricted	1,583,141	406,782	1,989,923	17,317
Total net assets	9,137,924	1,634,834	10,772,758	17,317

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2002

Government Wide - Statement of Activities
--

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	
Primary government:					
Governmental activities:					
1	General government	561,006	151,004	74,966	0
2	Human resources	2,723,207	54,507	1,669,321	0
3	Education	2,662,380	3,324	291,753	0
4	Public safety	476,638	20,186	90,823	0
5	Agriculture and natural resources	90,948	39,247	13,068	0
6	Highways and other transportation	860,035	143,525	180,472	259,666
7	Health and environment	166,038	21,369	77,880	0
8	Total governmental activities	7,540,252	433,162	2,398,283	259,666
Business-type activities:					
10	Water pollution and safety	42,370	8,337	27,462	0
11	Health care stabilization	27,588	17,253	10,431	0
12	Employment security	341,587	184,317	133,870	0
13	Workers' compensation	-856	468	0	0
14	Lottery	132,284	191,064	0	0
15	Universities	1,857,220	464,531	335,749	619
16	Intergovernmental transfer program	94,823	0	0	0
17	Total business-type activities	2,495,016	865,970	507,512	619
18	Total primary government	10,035,268	1,299,132	2,905,795	260,285
Component units:					
21	Kansas Development Finance Authority	1,086	1,435	0	0
22	Kansas Technology Enterprise Corporation	22,122	3,407	18,621	0
23	Total component units	23,208	4,842	18,621	0

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business- Type Activities	Total	Component Units	
-335,036	0	-335,036	0	1
-999,379	0	-999,379	0	2
-2,367,303	0	-2,367,303	0	3
-365,629	0	-365,629	0	4
-38,633	0	-38,633	0	5
-276,372	0	-276,372	0	6
-66,789	0	-66,789	0	7
-4,449,141	0	-4,449,141	0	8
				9
0	-6,571	-6,571	0	10
0	96	96	0	11
0	-23,400	-23,400	0	12
0	1,324	1,324	0	13
0	58,780	58,780	0	14
0	-1,056,321	-1,056,321	0	15
0	-94,823	-94,823	0	16
0	-1,120,915	-1,120,915	0	17
-4,449,141	-1,120,915	-5,570,056	0	18
				19
				20
0	0	0	349	21
0	0	0	-94	22
0	0	0	255	23

General revenues:

Taxes:				
Property tax	54,535	0	54,535	0
Income and inheritance tax	2,010,550	-1	2,010,549	0
Sales and excise tax	2,248,760	0	2,248,760	0
Gross receipts tax	103,825	0	103,825	0
Investment earnings	37,369	-158	37,211	98
Other revenue	208,732	582,437	791,169	1,181
Transfers	-570,470	570,470	0	0
Total general revenues	4,093,301	1,152,748	5,246,049	1,279
Change in net assets	-355,840	31,833	-324,007	1,534
Net assets – beginning	9,493,764	1,603,001	11,096,765	15,783
Net assets - ending	9,137,924	1,634,834	10,772,758	17,317

State of Kansas
Financial Statements
June 30, 2002

Balance Sheet – Governmental Funds

June 30, 2002
(Expressed in Thousands)

	General	Social and Rehabilitation	Transportation	Transportation- Capital Project	Other Governmental	Total Governmental
ASSETS						
Cash and cash equivalents	148,181	51,252	115,790	0	358,970	674,193
Investments	0	0	694,187	0	168,398	862,585
Receivables, net	346,505	110,914	91,853	0	6,753	556,025
Due from other funds	0	0	94,347	0	4,261	98,608
Inventories	6,549	0	14,391	0	0	20,940
Other assets	0	1,852	0	0	0	1,852
Restricted cash and cash equivalents	0	0	0	0	69,292	69,292
Restricted investments	0	0	0	0	0	0
Total assets	501,235	164,018	1,010,568	0	607,674	2,283,495
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payables and other current liabilities	225,112	125,537	60,973	0	125,530	537,152
Due to other funds	94,608	0	0	0	0	94,608
Deferred revenue	98,083	21,664	33,194	0	1,497	154,438
Bonds payable on demand	0	0	0	200,000	0	200,000
Total liabilities	417,803	147,201	94,167	200,000	127,027	986,198
Fund balances:						
Reserved for debt service	0	0	0	0	46,819	46,819
Reserved for inventory	6,549	0	14,391	0	0	20,940
Reserved for encumbrances	16,288	20,445	718,114	0	147,834	902,681
Unreserved	60,595	-3,628	183,896	-200,000	285,994	326,857
Total fund balance	83,432	16,817	916,401	-200,000	480,647	1,297,297
Total liabilities and fund balance	501,235	164,018	1,010,568	0	607,674	2,283,495

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2002

Balance Sheet – Governmental Funds Continued

	Total Governmental
<hr/> Reconciliation to the Statement of Net Assets:	
Total fund balance from previous page	1,297,297
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	8,619,944
Capital assets	761,393
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,298
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	27,812
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accounts payable (amount not in funds)	-26,474
Deferred revenue (not on Statement of Net Assets)	127,292
Long term liabilities (amount not in funds)	-1,326,686
Compensated absences – long term liabilities (amount not in funds)	-94,977
Due to component units (lease revenue bonds payable)	-253,975
Net assets of governmental activities as reported on the Statement of Net Assets.	<hr/> 9,137,924 <hr/>

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2002

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	General	Social and Rehabilitation	Transportation	Transportation Capital Project	Other Governmental	Total Governmental
Revenues:						
Property tax	18,186	0	0	0	36,508	54,694
Income and inheritance tax	2,000,182	0	0	0	9,947	2,010,129
Sales excise tax	1,888,271	2,025	323,889	0	9,938	2,224,123
Gross receipts tax	86,650	0	0	0	17,172	103,822
Charges for services	23,251	43,409	145,665	2	247,150	449,109
Operating grants	0	1,599,567	178,723	0	609,070	2,397,729
Capital grants	0	0	259,666	0	0	259,666
Investment earnings	37,452	0	0	0	-10	37,442
Other revenues	12,219	55,460	0	0	109,349	177,028
Total revenues	4,066,211	1,700,461	907,943	2	1,039,125	7,713,742
Expenditures:						
Current:						
General government	276,258	0	0	0	306,355	582,613
Human resources	754,012	1,473,820	0	0	499,676	2,727,508
Education	2,317,202	0	0	0	347,246	2,664,448
Public safety	308,302	0	0	0	174,221	482,523
Agriculture and natural resources	17,754	0	0	0	73,548	91,302
Highways and other transportation	0	0	907,664	0	13,266	920,930
Health and environment	32,194	0	0	0	134,310	166,504
Debt service:						
Principal	0	0	0	0	73,861	73,861
Interest	0	0	0	0	83,511	83,511
Total expenditures	3,705,722	1,473,820	907,664	0	1,705,994	7,793,200
Excess of revenues over (under)						
Expenditures	360,489	226,641	279	2	-666,869	-79,458
Other financing sources (uses):						
Proceeds from sale of debt	0	0	0	0	164,740	164,740
Transfers, net	-840,508	-226,938	-66,947	-2,033	563,383	-573,043
Other	0	0	0	0	-33,202	-33,202
Total other financing sources (uses)	-840,508	-226,938	-66,947	-2,033	694,921	-441,505
Net change in fund balances	-480,019	-297	-66,668	-2,031	28,052	-520,963
Fund balances, beginning of year	563,451	17,114	983,069	-197,969	452,595	1,818,260
Fund balances, end of year	83,432	16,817	916,401	-200,000	480,647	1,297,297

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2002

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds Continued

	Total Governmental
Reconciliation to the Statement of Activities:	
Total net change in fund balance from previous page	-520,963
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	73,861
Defeased debt is reported as an other financing use in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	33,202
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Assets	229,229
Depreciation expense	-57,069
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	20,480
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	
Revenue bond proceeds	-143,710
Accrued interest on revenue bonds	-188
Bond premiums and discounts	-1,949
Loan proceeds	-4,100
Other borrowings	-14,793
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	-13,075
Accrued interest payable is recorded on the Statement of Net Assets while the funds record interest when paid.	316
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	42,919
Changes in net assets of governmental activities as reported on the Statement of Activities	-355,840

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2002

Statement of Net Assets – Proprietary Funds

June 30, 2002
(Expressed in Thousands)

		Business-Type Activities		
		Water Funds	Health Care Stabilization	Unemployment Insurance
ASSETS				
Current assets:				
1	Cash and cash equivalents	60,363	2,266	6,971
2	Investments	162,922	203,502	0
3	Receivables, net	10,076	3,642	1,773
4	Inventories	0	0	0
5	Other current assets	0	0	0
6	Total current assets	233,361	209,410	8,744
Noncurrent assets:				
8	Investments	0	0	0
9	Receivables, net	408,396	0	0
10	Restricted cash and cash equivalents	6,726	0	503,534
11	Restricted investments	54,242	0	0
12	Capital assets (net of accumulated depreciation)	0	16	0
13	Infrastructure	0	0	0
14	Other noncurrent assets	17,227	0	0
15	Total noncurrent assets	486,591	16	503,534
16	Total assets	719,952	209,426	512,278
LIABILITIES				
Current liabilities:				
20	Accounts payable and other current liabilities	17,227	1,474	8,938
21	Deferred revenue	0	0	0
22	Due to other funds	0	0	0
23	Short-term compensated absences	26	39	0
24	Short-term portion of long-term liabilities	13,964	0	0
25	Total current liabilities	31,217	1,513	8,938
Noncurrent liabilities:				
27	Compensated absences	2	3	0
28	Claims and judgements	0	151,200	0
29	Bonds, notes and loans payable	460,440	0	0
30	Total noncurrent liabilities	460,442	151,203	0
31	Total liabilities	491,659	152,716	8,938
NET ASSETS				
34	Invested in capital assets, net of related debt	0	0	0
Restricted for:				
36	Capital projects	0	0	0
37	Debt service	54,242	0	0
38	Other purposes	0	56,710	503,340
39	Unrestricted	174,051	0	0
40	Total net assets	228,293	56,710	503,340
41	Total liabilities and net assets	719,952	209,426	512,278

The notes to the financial statements are an integral part of this statement

Business-Type Activities				Governmental Activities - Internal Service Funds	
Workers' Compensation	University System	Nonmajor Funds	Totals		
13,061	241,693	21,726	346,080	35,072	1
0	74,945	0	441,369	0	2
0	90,687	5,413	111,591	0	3
0	11,896	844	12,740	0	4
0	17,199	0	17,199	0	5
13,061	436,420	27,983	928,979	35,072	6
					7
0	217	0	217	0	8
0	42,871	0	451,267	0	9
0	27,433	0	537,693	0	10
0	3,088	0	57,330	0	11
0	1,002,186	225	1,002,427	113,565	12
0	0	0	0	0	13
0	24,514	0	41,741	0	14
0	1,100,309	225	2,090,675	113,565	15
13,061	1,536,729	28,208	3,019,654	148,637	16
					17
					18
					19
286	121,320	6,548	155,793	6,915	20
0	66,631	0	66,631	0	21
0	0	4,000	4,000	0	22
11	38,231	0	38,307	1,210	23
0	19,240	0	33,204	24,936	24
297	245,422	10,548	297,935	33,061	25
					26
1	3,584	0	3,590	114	27
186,000	0	0	337,200	17,559	28
0	285,659	0	746,099	70,091	29
186,001	289,243	0	1,086,889	87,764	30
186,298	534,665	10,548	1,384,824	120,825	31
					32
					33
0	714,707	225	714,932	0	34
					35
0	20,488	0	20,488	0	36
0	23,492	0	77,734	0	37
-173,237	28,083	0	414,896	0	38
0	215,294	17,435	406,780	27,812	39
-173,237	1,002,064	17,660	1,634,830	27,812	40
13,061	1,536,729	28,208	3,019,654	148,637	41

State of Kansas
Financial Statements
June 30, 2002

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
--

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

		Business-Type Activities		
		Water Funds	Health Care Stabilization	Unemployment Insurance
	Operating revenues:			
1	Charges for services	8,626	17,253	184,317
2	Other revenue	19,979	2,612	14,487
3	Total operating revenues	<u>28,605</u>	<u>19,865</u>	<u>198,804</u>
4				
5	Operating expenses:			
6	Personal services	715	677	0
7	Supplies and services	2,503	2,882	0
8	Lottery prize awards	0	0	0
9	Depreciation	0	8	0
10	Insurance claims and expenses	0	0	341,536
11	Other expenses	178	21,020	50
12	Total operating expenses	<u>3,396</u>	<u>24,587</u>	<u>341,586</u>
13				
14	Operating income (loss)	<u>25,209</u>	<u>-4,722</u>	<u>-142,782</u>
15				
16	Nonoperating revenues (expenses):			
17	Operating grants	27,462	10,431	133,870
18	Capital grants	0	0	0
19	Investment earnings	0	0	-158
20	Interest expense	-22,558	0	0
21	Other expenses	-16,772	-3,000	0
22	Total nonoperating revenues			
23	(expenses)	<u>-11,868</u>	<u>7,431</u>	<u>133,712</u>
24				
25	Net income (loss)	13,341	2,709	-9,070
26				
27	Transfers in	856	1,211	-787
28	Transfers out	258	0	-577
29				
30	Net change in net assets	14,455	3,920	-10,434
31				
32	Total net assets – beginning	213,838	52,790	513,774
33	Total net assets - ending	<u>228,293</u>	<u>56,710</u>	<u>503,340</u>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities				Governmental Activities - Internal Service Funds	
Workers' Compensation	University System	Nonmajor Funds	Totals		
468	507,070	191,064	908,798	89,600	1
185	323,912	232,216	593,391	5,704	2
653	830,982	423,280	1,502,189	95,304	3
					4
					5
274	957,154	3,579	962,399	23,625	6
1,014	290,051	29,562	326,012	-997	7
0	0	98,963	98,963	0	8
0	64,356	201	64,565	9,679	9
-3,379	1	0	338,158	13,732	10
1,233	546,775	92,734	661,990	52	11
-858	1,858,337	225,039	2,452,087	46,091	12
					13
1,511	-1,027,355	198,241	-949,898	49,213	14
					15
					16
0	335,891	0	507,654	0	17
0	621	0	621	0	18
0	0	0	-158	0	19
0	-13,705	0	-36,263	-3,722	20
0	-38,756	-2,065	-60,593	0	21
					22
0	284,051	-2,065	411,261	-3,722	23
					24
1,511	-743,304	196,176	-538,637	45,491	25
					26
-7,009	788,706	-189,382	593,595	-1,061	27
-16	-22,792	0	-23,127	-1,511	28
					29
-5,514	22,610	6,794	31,831	42,919	30
					31
-167,723	979,454	10,866	1,602,999	-15,107	32
-173,237	1,002,064	17,660	1,634,830	27,812	33

State of Kansas
Financial Statements
June 30, 2002

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Business-Type Activities			
	Water funds	Health Care Stabilization	Unemployment Insurance
Cash flows from operating activities:			
1 Cash receipts from customers	\$ 28,443	\$ 19,233	\$ 200,542
2 Cash payments to suppliers for goods and services	-9,579	-23,712	2,624
3 Cash payments to employees for services	-635	-679	0
4 Cash payments for lottery prizes	0	0	0
5 Internal activity – payments to other funds	1,114	1,211	-1,389
6 Claims paid	0	-2,000	-341,536
7 Net cash provided (used) by operating activities	19,343	-5,947	-139,759
Cash flows from noncapital financing activities:			
11 Operating grants receipts	27,462	10,431	133,870
12 Other nonoperating expenses	-16,772	-3,000	-2
13 Other cash inflows from noncapital financing activities	0	2	0
14 Other cash outflows from noncapital financing activities	-182	0	0
15 Net cash provided (used) by capital and related financing activities	10,508	7,433	133,868
Cash flows from capital and related financing activities:			
19 Proceeds from issuance of long-term debt	202,679	0	0
20 Repayment of long-term debt	-101,875	0	0
21 Proceeds from short-term notes payable	0	0	0
22 Repayment of short-term notes payable	0	0	0
23 Interest payments	-17,278	0	0
24 Proceeds from sale of fixed assets	0	0	0
25 (Gain) loss on disposal of fixed assets	0	0	0
26 Payments for purchase of fixed assets	0	-6	0
27 Accreted interest	0	0	0
28 Other cash inflows from capital financing activities	0	0	0
29 Other cash outflows from capital financing activities	0	0	0
30 Net cash provided (used) by capital and related financing activities	83,526	-6	0
Cash flows from investing activities:			
34 Proceeds from sale and maturities of investment securities	113,565	9,204	0
36 Purchase of investments	-101,283	-12,161	0
37 Loan principal collected	5,628	0	0
38 Loans disbursed	-89,634	0	0
39 Increase in loan reserve accounts	-4	0	0
40 Interest and dividends	0	0	-158
41 Change in interest receivable	-1,058	-153	1
42 Unrealized (gain) loss on investments	788	-1404	0
43 Net cash provided (used) by investing activities	-71,998	-4,514	-157
46 Net increase (decrease) in cash and cash equivalents	41,379	-3034	-6,048
47 Cash and cash equivalents, beginning of year	25,710	5,299	516,553
48 Cash and cash equivalents, end of year	67,089	2,265	510,505
Reconciliation of operating income (loss) to net cash provided by operations:			
53 Operating income (loss)	25,209	-4,722	-142,782
Adjustments to reconcile operating income to net cash provided by operating activities:			
57 Depreciation	0	8	0
58 Provision for uncollectible accounts	0	0	0
59 Net transfers to other funds	1,114	1,211	-1,364
60 Changes in assets and liabilities:			
61 Receivables	-150	-631	1,736
62 Due from other governments	-12	0	0
63 Inventories	0	0	0
64 Other assets	-10,629	0	0
65 Accounts payable	3,731	189	2,676
66 Payroll liabilities	80	-2	0
67 Deferred revenue	0	0	0
68 Due to other funds	0	0	-25
69 Lottery prize liability	0	0	0
70 Claims and judgements	0	-2,000	0
71 Total adjustments	-5,866	-1,225	3,023
72 Net cash provided by operating activities	\$ 19,343	\$ -5,947	\$ -139,759

The notes to the financial statements are an integral part of this statement.

Business-Type Activities					Governmental Activities – Internal Service Funds	
Worker's Compensation	University System	Nonmajor Funds	Totals			
\$ 654	\$ 822,487	\$ 422,829	\$ 1,494,188	\$ 95,304	1	
-2,314	-807,098	-122,004	-962,083	206	2	
-276	-939,973	-3,579	-945,142	-23,612	3	
0	0	-99,476	-99,476	0	4	
-7,025	764,095	-190,676	567,330	-2,572	5	
-2,021	0	0	-345,557	-13,677	6	
					7	
-10,982	-160,489	7,094	-290,740	55,649	8	
					9	
					10	
0	335,891	0	507,654	0	11	
0	-38,756	-2,065	-60,595	0	12	
0	0	1	3	2	13	
0	0	0	-182	0	14	
					15	
0	297,135	-2,064	446,880	2	16	
					17	
					18	
0	52,497	0	255,176	0	19	
0	-20,035	0	-121,910	-1,765	20	
0	640	0	640	0	21	
0	-680	0	-680	0	22	
0	-13,705	0	-30,983	-3,722	23	
0	944	0	944	0	24	
0	33,235	0	33,235	94	25	
0	-144,662	-65	-144,733	-55,607	26	
0	139	0	139	0	27	
0	2,752	0	2,752	0	28	
0	0	0	0	0	29	
					30	
	-88,875	-65	-5,420	-61,000	31	
					32	
					33	
					34	
0	49,419	0	172,188	0	35	
0	-59,883	0	-173,327	0	36	
0	0	0	5,628	0	37	
0	0	0	-89,634	0	38	
0	0	0	-4	0	39	
0	0	0	-158	0	40	
0	-579	0	-1,789	0	41	
0	-967	0	-1,583	0	42	
					43	
0	-12,010	0	-88,679	0	44	
					45	
-10,982	35,761	4,965	62,041	-5,349	46	
24,043	233,366	16,761	821,732	40,421	47	
13,061	269,127	21,726	883,773	35,072	48	
					49	
					50	
					51	
					52	
1,511	-1,027,355	198,241	-949,898	49,213	53	
					54	
					55	
0	64,356	201	64,565	9,679	56	
-7,025	765,914	-189,382	570,468	-2,572	57	
					58	
0	-46,389	-451	-45,885	0	59	
0	0	0	-12	0	60	
0	7,872	43	7,915	0	61	
0	-5,176	0	-15,805	0	62	
-66	27,033	249	33,812	-739	63	
-2	17,181	0	17,257	13	64	
0	37,894	0	37,894	0	65	
0	-1,819	-1,294	-3,138	0	66	
0	0	-513	-513	0	67	
-5,400	0	0	-7,400	55	68	
-12,493	866,866	-191,147	659,158	6,436	69	
					70	
\$ -10,982	\$ -160,489	\$ 7,094	\$ -290,740	\$ 55,649	71	
					72	
					73	

State of Kansas
Financial Statements
June 30, 2002

Statement of Fiduciary Net Assets
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June 30, 2002
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>Investment Trust</u>	<u>Agency</u>
ASSETS			
Cash and cash equivalents	6,715	434,971	246,602
Investments	10,844,868	0	463,226
Receivables, net	1,485,832	252	13,942
Inventories	10	0	0
Capital assets	<u>2,794</u>	<u>0</u>	<u>0</u>
Total assets	<u>12,340,219</u>	<u>435,223</u>	<u>723,770</u>
LIABILITIES			
Accounts payable and other liabilities	3,437,931	441,929	723,770
Refunds payable and other	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>3,437,931</u>	<u>441,929</u>	<u>723,770</u>
NET ASSETS			
Held in trust for pension benefits and pool participants	<u>8,902,288</u>	<u>-6,706</u>	

The notes to the financial statements are an integral part of this statement.

State of Kansas
Financial Statements
June 30, 2002

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	<u>Pension Trust</u>	<u>Investment Trust</u>
ADDITIONS		
Contributions:		
Employer contributions	209,624	0
Employee contributions	221,473	0
Total contributions	<u>431,097</u>	<u>0</u>
Deposits:		
Charges for services	0	2,006
Investment earnings	-463,746	0
Other revenue	<u>137</u>	<u>0</u>
Total additions	<u>-32,512</u>	<u>2,006</u>
DEDUCTIONS		
Benefits and refunds:		
Monthly Benefits and refunds	627,704	0
Refunds of contributions	39,066	0
Death and insurance benefits	56,321	0
Total benefits and refunds	<u>723,091</u>	<u>0</u>
Administrative expenses	<u>6,776</u>	<u>0</u>
Total deductions	<u>729,867</u>	<u>0</u>
Net increase (decrease)	-762,379	2,006
Net assets – beginning of year	<u>9,664,667</u>	<u>-8,712</u>
Net assets – end of year	<u><u>8,902,288</u></u>	<u><u>-6,706</u></u>

The notes to the financial statements are an integral part of this statement.

I. Summary of Significant Accounting Policies

I. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Kansas (the “State”) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard setting body for government accounting and financial reporting principles. In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and Statement 35 *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years are affected. The State is required to implement these standards for the fiscal year ending June 30, 2002.

Other GASB Statements are required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the State has implemented the following GASB Statements in the current fiscal year: Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*, Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement 38 – *Certain Financial Statement Note Disclosures*.

The accompanying financial statements present the financial position of the state and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2002 and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Kansas State Legislature and/or Constitutional Officers of the State of Kansas.

A. Financial Reporting Entity

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State’s support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles, these financial statements present the State of Kansas (the primary government) and its component units.

The accompanying financial statements present the activities of state government (the primary government), which is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court, and the District Trial Courts.

State of Kansas
Notes to the Financial Statements
June 30, 2002

I. Summary of Significant Accounting Policies

Discrete Component Units

Discrete component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards.

Following is a brief description of the state's two component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Kansas Development Finance Authority (KDFA)	The state appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 555 South Kansas Avenue, Suite 202 Topeka, Kansas 66603
Kansas Technology Enterprise Corporation (KTEC)	The state appoints a voting majority of the board of KTEC and has the power to impose its will on KTEC. There is a potential for KTEC to impose specific financial burdens or provide specific financial benefits to the state. KTEC is fiscally dependent on the state.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Technology Enterprise Corporation 214 SW 6 th Avenue, Suite 100 Topeka, Kansas 66603

Complete financial statements for each of the individual component units may be obtained from their respective administrative offices at the above noted addresses.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

COMPONENT UNITS

Kansas Development Finance Authority (KDFA) was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplements. KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. KDFA was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

I. Summary of Significant Accounting Policies

Kansas Technology Enterprise Corporation (KTEC) is a body politic, corporate, and an instrumentality of the State of Kansas, which was created by the Legislature of the State in March 1996 (K.S.A. 74-8101). The responsibilities and duties of the existing State Office of Advanced Technology were transferred to KTEC effective January 12, 1987. KTEC's principal statutory functions and responsibilities are as follows:

- To foster innovation in existing and developing businesses, especially the creation, growth, and expansion of Kansas enterprises in a diversified range of primary sectors which develop value-added products, processes, and services.
- To invest in basic research, applied research and development, and technology transfer at Kansas educational institutions which meet competitive standards of excellence and which create innovative collaboration between Kansas' educational institutions and Kansas' enterprises.
- To award applied research matching grants to Kansas' educational institutions and Kansas' private enterprises in order to move innovation and applied research toward commercial application.
- To engage in seed-capital financing for the development and implementation of innovations or new technologies for existing resource, technology-based, and emerging Kansas businesses.
- To provide technical referral services to such small, new, emerging, or mature businesses and encourage Kansas educational institutions to establish technical information databases and industrial liaison offices, which are easily accessible by both private and public sector Kansas organizations.

B. Government-wide and Fund Financial Statements

Government-wide Statements – The statement of net assets and the statement of activities report information of the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the duplication of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the state and between its discretely presented component units. Governmental activities are generally supported by taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are supported in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the state and for each function of the state's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The State classifies state spending by function of government and by category of expenditure. Function of government is a grouping of agencies, which make expenditures for similar programs and purposes. There are seven functions of government: general government, human resources, education, public safety, agriculture and natural resources, and transportation. *General Government* includes state agencies with both administrative and regulatory functions. These agencies include the State's elected officials and the Department of Administration. *Human Resources* agencies provide services to individuals. *Education* agencies provide various educational services to Kansans. *Public Safety* agencies ensure the safety and security of Kansas' citizens. *Agriculture and Natural Resources* agencies protect the natural and physical resources of the State and regulate the use of those resources. *Transportation* includes only the Department of Transportation. Responsibilities of this agency include maintenance and construction of highways in Kansas. The *Health and Environment* agency optimizes the promotion and protection of the health of Kansans through efficient and effective public health programs and services and through preservation, protection, and remediation.

I. Summary of Significant Accounting Policies

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements – The fund financial statements provide information about state funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from income and sales taxes is recognized in the fiscal year the underlying exchange occurred, while revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The state considers all revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. Expenditures generally are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the state funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the policy of the state to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

I. Summary of Significant Accounting Policies

D. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

Governmental Funds:

General Fund – This is the primary operating fund of the state. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation Fund – This fund is the primary operating fund of the Department of Transportation. The Department has the statutory responsibility to coordinate planning, development and operation of the various modes and systems of transportation in the State.

Transportation Capital Project Fund – This fund accounts for the financial resources to be used for construction of major capital facilities for Department of Transportation.

Social and Rehabilitation Services Fund – This fund accounts for all the activities of the Department of Social and Rehabilitation Services.

Proprietary Funds:

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

Water Fund– This fund accounts for the Water Pollution Control and Public Water Supply Revolving Loan funds controlled by the Department of Health and Environment.

Health Care Stabilization Fund - This fund provides professional liability coverage for health care providers.

Employment Security Fund – This fund accounts for unemployment insurance for the deposit of moneys requisitioned for the Kansas Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

Workers' Compensation Fund – This fund relieves an employer wholly or partially of a worker's compensation liability resulting from compensable work related accidents. The fund is liable for certain second injury claims incurred prior to July 1, 1994, and other claims specifically included by law. The fund is financed by an annual assessment to insurance companies, self-insurers, and group-funded pools.

University System – This fund accounts for the six state universities controlled by the Board of Regents.

I. Summary of Significant Accounting Policies

Internal Service Funds - These funds account for printing, information technology, accounting, motor pool, aircraft, building maintenance, architectural, central mail, workers' compensation, and capital security services provided to other departments on a cost-reimbursement basis.

Fiduciary Funds:

The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

Pension Trust Fund -- This fund is used to account for the assets, liabilities and fund equities held in trust for the Kansas Public Employees Retirement System.

Investment Trust Fund -- This fund is used to account for the assets, liabilities and fund equities held in trust for the Kansas Municipal Investment Pool.

Agency Funds - These funds account for assets held by the state in a custodial capacity, or as an agent for individuals, private organizations, other governmental units and/or other funds.

Both government-wide and proprietary funds financial statements of the state follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The effect of interfund activity has generally been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses are generated from providing services or products in connection with the enterprise operations of the funds.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash balances of funds in the State Treasury are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by the Pooled Money Investment Board (PMIB) and are reported at fair value, based on quoted market prices.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash.

I. Summary of Significant Accounting Policies

The investment policies of the PMIB are governed by state statutes. The primary objective is to attain safety, liquidity and yield. Allowable investments for state pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Interfund loans to various state agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10% or \$80,000,000 of total investments
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$55 million.
- High grade commercial paper

Specific Fund Investments – State statutes permit investing cash balances not included in the PMIB in the following types of investments:

- U. S. Government obligations
- Mortgage backed securities
- Corporate securities
- U.S. Government agency securities
- Repurchase agreements
- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- State of Kansas agency bonds, with maturities not to exceed four years

In addition to the above investments, short-term bond proceeds may be invested at the direction of KDFA through the PMIB.

Kansas Municipal Investment Pool - The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, state-managed investment alternative for state and local funds. The Office of the Kansas State Treasurer (Treasurer) acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school boards and other governmental entities holding public moneys are eligible to participate in the MIP. The assets of the MIP are combined with state moneys to form the Pooled Money Investment Portfolio.

Kansas Public Employees Retirement System (KPERS) Investments - The Retirement System's investment categories, as permitted by statute, include equities, fixed income securities, cash equivalents, real estate, derivative products and alternative investments. KPERS values its investments at fair value. In fulfilling its responsibilities, the Board of Trustees contracts with investment management firms and a master global custodian.

Investment Income Allocation – State statutes require interest earned to be credited to the State General Fund unless required by law to be credited based on average daily balance to a specific fund.

I. Summary of Significant Accounting Policies

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables are shown net of an allowance for uncollectibles.

Inventories

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the government-wide financial statements are accounted for using the consumption method. Inventories in the governmental funds financial statements are on the purchases method. The purchases method provides that inventory be treated as an expenditure when purchased. Consumable supplies are reported only if over \$200,000 per agency.

The governmental funds statements have a current financial resources focus. As a result, modified accrual adjustments to capitalize inventory at year-end affect beginning fund balance rather than expenditures. The focus on current financial resources is better maintained by not adjusting the expenditures for the amount of inventory reclassified to the balance sheet. The government wide statements, however, require the full accrual adjustment to expenditures to properly reflect the amount of inventory consumed during the fiscal year.

Deferred Bond Issuance Costs

Deferred Bond Issuance Costs consist of the costs incurred related to bond issuance. These costs are capitalized and amortized over the term of the bonds using the straight-line method.

Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond requirements. The Employment Security Fund was established by law as a special fund separate and apart from all public money or funds of the State. The cash is maintained in a separate bank account with the U.S. Treasury.

I. Summary of Significant Accounting Policies

Capital Assets

Capital assets are reported at actual or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Construction in process is capitalized. Capitalization policies (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Land	\$100,000	Not applicable	Not applicable
Buildings and leasehold improvements	100,000	Straight-line	40 years
Furnishings and equipment	5,000	Straight-line	8 years
Automobiles	5,000	Straight-line	5 years

The depreciation method is straight line with no salvage value. Accumulated depreciation is calculated in total by class of assets by year using the one half year convention in year of purchase. No depreciation is recorded for land and construction in progress.

Works of art and historical items are not capitalized. It is the intent of the State of Kansas that all art works and historical objects be held for the purpose of exhibition to the public to further education and research. It is also the intent to preserve and protect such items to insure their availability to future generations. If any items are sold from any collection, the proceeds from such disposition are intended to be set aside for future acquisitions for the collections.

Infrastructure

The roadway system and bridge system are reported using the modified approach. Accordingly, depreciation is not reported for these systems, and all expenditures, except for additions and improvements are expensed.

Compensated Absences

Classified state employees accrue vacation leave based on the number of years employed up to a maximum rate of 6.5 hours per pay period, and may accumulate a maximum of 240 hours. Upon retirement or termination, employees are paid for accrued vacation leave up to their maximum accumulation. State employees earn sick leave at the rate of 3.7 hours per pay period. Employees who terminate are not paid for unused sick leave. Employees who retire are paid a portion of their unused sick leave based on years of service and hours accumulated. The State uses the vesting method to compute the sick leave liability.

I. Summary of Significant Accounting Policies
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Bonds and Notes Payable

Bonds and Notes Payable consist of notes and bonds issued to finance capital improvements for various projects. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and deferred bond issuance costs are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond issuance costs are reported as an other asset and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as deferred bond issuance costs, during the current period. The face amount of bond debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Deferred bond issuance costs are reported as debt service expenditures.

Other Long-Term Obligations

Other Long-Term Obligations consist of claims and judgements, capital leases payable, and other miscellaneous long-term obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, other long-term obligations are reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the year ended June 30, 2002, expenditures did not exceed appropriations or limitations.

B. Deficit Fund Equity

The workers' compensation enterprise fund is funded by assessments based on estimates of claims to be paid in the succeeding year. Consequently, claims incurred but not reported at year-end are not included in the calculation of the annual assessments resulting in a deficit fund equity.

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

A. Deposits and Investments

A summary of cash and investments is as follows:

(Expressed in thousands)

	Governmental and Business Type Activities	Pension Trust	Investment Trust	Agency	Total
Cash deposits with financial institutions	\$ 95,388	\$ 356	\$ 23,043	\$ 12,723	\$ 131,509
Pooled investments, at fair value	1,061,929	6,359	411,928	227,447	1,707,664
Cash with US Treasury	503,535				503,535
Imprest funds and agency's bank accounts	1,484				1,484
Canteen, members benefit, members money in agency's custody				6,432	6,432
Kansas Public Employees Retirement System Investments		10,844,868			10,844,868
Investments owned by other funds	1,361,502			463,226	1,824,728
Total	<u>\$ 3,023,838</u>	<u>\$10,851,583</u>	<u>\$ 434,971</u>	<u>\$709,828</u>	<u>\$ 15,020,220</u>

State Treasury's and Municipal Investment Pool Balance

Cash balances in the State Treasury are held in numerous bank accounts. Available cash balances beyond immediate needs are pooled for short-term investment purposes. The cash balances and investments are combined and reported under the caption of Cash and Cash Equivalents. The State Treasury and Municipal Investment Pool Balance as of fiscal year-end is comprised of:

(Expressed in Thousands)

<i>Cash</i>	FY2002 <u>Fair Value</u>
Kansas Banks Demand Accounts	\$ 37,627
Monies in Custodial Demand Accounts	1,847
Cash Items	85
Cash in Transit	55,965
Unemployment Trust Fund Cash with US Treasury	503,535
 <i>Investment Pool Securities at Fair Value</i>	
Kansas Banks Certificates of Deposit	149,401
U.S. Government agencies securities	488,432
Commercial Paper	389,354
Repurchase Agreements	555,100
Public Water Supply Loan Fund	5,000
Unclaimed Property Invested by KPERS	83,167
Linked Deposits	54,798
<i>Loans Receivable</i>	<u>13,206</u>
 <i>Total State Treasury's and Municipal Investment Pool Balance</i>	 <u>\$ 2,337,517</u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

At June 30, 2002, the carrying amount (book balance) of the State Treasurer's deposits was \$503.5 Million. At June 30, 2002, the State Treasurer had \$243.7 million in the associated bank balances. For cash deposits with financial institutions, the state requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. The state's deposits with financial institutions were fully collateralized at fiscal year-end by FDIC insurance or pledged collateral (either government securities, FHLB letters of credit or surety bonds). The pledged securities and bonds are held in safekeeping for the State Treasurer at the Federal Reserve Bank of Kansas City or in approved custodial banks and are held in the name of the state.

The cash balances in the State Treasury are included in the financial statements in the category "cash and cash equivalents." Also included in this category are amounts outside the State Treasury such as cash in agencies' imprest funds and authorized bank accounts, canteen, benefit and members moneys in agencies' custody.

Component Unit-KTEC

All deposits are stated at cost, which approximates market. KTEC currently maintains cash balances only in interest-bearing bank accounts, certificates of deposit, and repurchase agreements, though the investment policy allows other investments in accordance with state guidelines.

KTEC's cash consisted of the following:

(Expressed in thousands)

Total

Bank deposits (interest-bearing bank accounts) and repurchase agreements	\$ 3,122
Certificates of deposit	2,157
Cash held by the state	<u>586</u>
	<u>\$ 5,865</u>

Component Unit-KDFA

The authority considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Authority monitors the amount of securities pledged by financial institutions as collateral to secure the deposits of the Authority in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Statutes authorize the Authority, "to invest moneys of the Authority not required for immediate use, including proceeds from the sale of any bonds, in such manner as the board shall determine, subject to any agreement with bondholders stated in the authorizing resolution providing for the issuance of bonds."

At June 30, 2002, the carrying amount (book balance) of the Authority's deposits including its investments in certificates of deposit, was \$3,670,927. The associated bank balances as of June 30, 2002, totaled \$3,704,842. Of the bank balance \$100,000 was covered by federal depository insurance, \$3,665,030 was covered by collateral held at the bank in the Authority's name and \$34,668 was being held in an account managed by the Kansas State Treasurer's Office.

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

B. Investments

Investments included in the State Treasury Balance and Municipal Investment Pool Balance, Specific Agency Fund Investments, and investments of the Kansas Public Employees Retirement System are classified into the following three risk categories:

1. Insured or registered, or securities held by the state or its agent in the name of the state.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the state.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the name of the state.

Investments included in the State Treasury and Municipal Investment Pool Balance are classified as risk category 1.

The state's other investment balances at June 30, 2002, were as follows:

Primary Government

	(Expressed in Thousands)			
	Category			Fair
	1	2	3	Value
Investments subject to categorization:				
U.S. Government agency securities	\$ 768,309			\$ 768,309
Mortgage backed securities	2,593			2,593
Commercial paper	3,025			3,025
Repurchase agreements	116,264			116,264
Corporate securities	115,678			115,678
U.S. Government obligations	282,071			282,071
Municipal securities	2,120			2,120
Kansas banks	1,784			1,784
Total	<u>\$ 1,291,844</u>			<u>1,291,844</u>
Investments not subject to categorization:				
State of Kansas Municipal Investment Pool				146
Guaranteed investment contracts				271,531
Security deposits held by the				
Kansas Insurance Department				233,203
Component units of universities not				
subject to GASB 3				28,004
Total Investments				<u>\$ 1,824,728</u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

Component Unit-KTEC

The following table summarizes the KTEC's cash and investments:

(Expressed in Thousands)

	<i><u>1</u></i>	<i><u>Category 2</u></i>	<i><u>3</u></i>	<i><u>Fair Value</u></i>
Deposits covered by federal depository insurance or collateral held by KTEC or its agent in KTEC's name	\$ 4,803			\$ 4,803
Deposits covered by collateral held by pledging financial institution's trust department or by its Agent in KTEC's name		1,062		<u>1,062</u>
Total subject to categorization				5,865
Investments not subject to categorization				<u>6,311</u>
<i>Total</i>				<u>\$ 12,176</u>

Component Unit-KDFA

The following table summarizes KDFA cash and investments at June 30, 2002:

(Expressed in Thousands)

	<i><u>1</u></i>	<i><u>Category 2</u></i>	<i><u>3</u></i>	<i><u>Fair Value</u></i>
United States Government Security	\$ 3,670			\$ 3,670
Not subject to categorization:				
State of Kansas Municipal Investment Pool				<u>660</u>
<i>Total</i>				<u>\$ 4,330</u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

At fiscal year-end, investments held by the Kansas Public Employees Retirement System categorized by level of risk were as follows:

Kansas Public Employees Retirement System Investments

	<i>(Expressed in Thousands)</i>			
	1	Category 2	3	Fair Value
<i>Subject to Categorization</i>				
Domestic Large Cap Equities	\$ 2,348,558			\$ 2,348,558
Domestic Small Cap Equities	464,944			464,944
International Equities	1,233,496			1,233,496
Fixed Income	2,270,140		\$ 324,361	2,594,501
Cash Equivalents				
Corporate Note	114,918 ¹		1,112,647 ²	1,227,565
Federal Agency	179,518 ¹			179,518
Foreign Currency	10,565 ¹			10,565
<i>Total Subject to Categorization</i>	<u>\$ 6,622,139</u>	<u>-</u>	<u>\$ 1,437,008</u>	<u>\$ 8,059,147</u>
<i>Not Subject to Categorization</i>				
Alternative Investments				483,148
Real Estate				689,739
Mutual Funds				
Cash Equivalents				110,665
Domestic Fixed				
Securities on Loan ³				<u>1,502,169</u>
<i>Total Not Subject to Categorization</i>				2,785,721
 <i>Total Investments at Fair Value</i>				 <u><u>\$ 10,844,868</u></u>

¹ Foreign currencies and fixed securities maturing within 90 days of purchase date.

² Securities Lending cash collateral invested with maturities within 90 days of fiscal year end.

³ Market value of securities loaned, with cash collateral.

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

C. External Investment Pool

The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, State-managed investment alternative for State and local funds. The Office of the Kansas State Treasurer acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school districts and other governmental entities holding public moneys are eligible to participate in the MIP. The assets of the MIP are combined with State moneys to form the Pooled Money Investment Portfolio (PMIP).

The MIP structure provides fixed rate investment alternatives between thirty and one hundred seventy nine days plus one hundred eighty, and three hundred sixty five-day maturities as well as a variable rate, daily liquidity, overnight investment alternative. Participants' ownership in the fund is based on their deposits. The MIP is valued on a monthly basis.

A summary of the MIP Fair Values by risk category at June 30, 2002 is as follows (expressed in thousands):

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Fair</u> <u>Value</u>
<u>Municipal Investment Pool</u>				
Fixed rate deposits in the PMIP	\$ 60,421			\$ 60,421
Overnight deposits in the PMIP	<u>374,550</u>			<u>374,550</u>
Total	\$ <u>434,971</u>			\$ <u>434,971</u>

The MIP condensed statement of fiduciary net assets and statement of changes in fiduciary net assets on the economic resources measurement focus and the accrual basis of accounting are as follows at June 30, 2002 (expressed in thousands):

<u>Statement of Fiduciary Net Assets</u>	
Assets	
Cash and cash equivalents	\$ 434,971
Receivables, net	<u>252</u>
Total Assets	435,223
<u>Liabilities</u>	
Accounts payable and other liabilities	<u>441,929</u>
<u>Net Assets</u>	
Held in trust for pool participants	\$ <u>(6,706)</u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

Statement of Changes in Fiduciary Net Assets

<u>Additions</u>	
Deposits	
Charges for services	\$ 2,006
 Total Additions	 2,006
 Net increase	 2,006
Net assets – beginning of year	(8,712)
Net assets – end of year	<u>\$ (6,706)</u>

The above condensed statements are included in the “Investment Trust” columns of the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets statements in the Financial Section. The deficit net assets represent amounts due from future earnings. Charges for services represent the amount of transfers into the fund during the June 30, 2002 fiscal year to retire amounts due from future earnings.

D. Receivables

Receivables include the following accounts with different risks, liquidity and collectibility characteristics:

(Expressed in thousands)

Accrued interest	\$6,491
Taxes receivable	347,483
Student loans	132,963
Health care stabilization	1,271
Employment security	1,772
Lottery	5,413
SRS receivables	110,660
Water fund	418,472
KDOT	94,361
Total	<u>\$1,118,886</u>

Taxes receivable are shown net of allowances for uncollectible taxes of \$240,487 and net of estimated individual and corporate refunds of \$210,000.

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

E. Investment in Direct Financing Leases

Component Units

The Kansas Development Finance Authority (KDFA) issues lease revenue bonds to facilitate construction of certain capital projects for various state agencies. KDFA's interests in the projects have been assigned to various state government units through the use of financing lease transactions. Contained in the trust indenture or resolution and lease agreement for each series of bonds is a capital lease provision by which lease revenues paid by the various governmental units, as tenants, to KDFA as lessor, are pledged to pay bond debt service. Amounts are actually paid by the state agencies directly to the bond paying agents for the lease revenue bonds.

Net investment in direct financing leases as of June 30, 2002 are as follows:

Total minimum lease payments to be received	\$ 385,448,446
Less: unearned income	<u>(131,473,446)</u>
Net investment in direct financing leases	<u>\$ 253,975,000</u>

The future minimum lease payments to be received by KDFA under the direct financing leases mirrors the payments to be made by KDFA under the lease revenue bonds payable.

F. Restricted Assets

Certain revenue bond proceeds and other resources set aside for bond repayment, capital projects, and other purposes are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions.

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

G. Capital Assets

Primary Government

(expressed in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	103,224	11,505	339	114,390
Land Improvements	79,985	4,090	954	83,121
Construction in progress	911	10,967	911	10,967
Infrastructure (including construction in progress)	8,504,446	653,473	537,975	8,619,944
Total capital assets, not being depreciated	<u>8,688,566</u>	<u>680,035</u>	<u>540,179</u>	<u>8,828,422</u>
Capital assets, being depreciated:				
Buildings and improvements	656,719	76,814	8,666	724,867
Equipment and furnishings	367,483	37,440	23,557	381,366
Vehicles	86,624	15,885	32,206	70,303
Totals	<u>1,110,826</u>	<u>130,139</u>	<u>64,426</u>	<u>1,176,536</u>
Less accumulated depreciation for:				
Buildings and improvements	268,139	16,618	8,235	276,522
Equipment and furnishings	187,334	27,965	20,138	195,161
Vehicles	58,092	12,486	32,206	38,372
Totals	<u>513,565</u>	<u>57,069</u>	<u>60,579</u>	<u>510,055</u>
Total capital assets, being depreciated, net	<u>597,261</u>	<u>73,070</u>	<u>3,847</u>	<u>666,481</u>
Governmental activity capital assets, net	<u>9,285,827</u>	<u>753,105</u>	<u>544,026</u>	<u>9,494,903</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	20,167	977	20	21,124
Land Improvements	60,041	10,376	163	70,254
Construction in progress	73,155	23,145	33,123	63,177
Total capital assets, not being depreciated	<u>153,363</u>	<u>34,498</u>	<u>33,306</u>	<u>154,555</u>
Capital assets, being depreciated:				
Buildings and improvements	1,242,126	79,783	570	1,321,339
Equipment and furnishings	312,284	28,247	18,493	322,038
Vehicles	33,157	2,204	1,222	34,139
Totals	<u>1,587,567</u>	<u>110,234</u>	<u>20,285</u>	<u>1,677,516</u>
Less accumulated depreciation for:				
Buildings and improvements	554,316	35,394	3,792	585,918
Equipment and furnishings	205,718	27,195	15,415	217,498
Vehicles	23,958	3,418	1,148	26,228
Totals	<u>783,992</u>	<u>66,007</u>	<u>20,355</u>	<u>829,644</u>
Total capital assets, being depreciated, net	<u>803,575</u>	<u>44,227</u>	<u>(70)</u>	<u>847,872</u>
Business-type activity capital assets, net	<u>956,938</u>	<u>78,725</u>	<u>33,236</u>	<u>1,002,427</u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

Depreciation expense was charged to functions/programs as follows (expressed in thousands):

Governmental activities:

General Government	\$13,244
Human Resources	4,552
Education	1,249
Public Safety	17,305
Agriculture and natural resources	2,840
Highways and other transportation	16,937
Health and environment	<u>942</u>
Total depreciation expense-Governmental activities	<u><u>\$57,069</u></u>

Business-type activities:

Health Care Stabilization	\$ 8
Lottery	202
Universities	<u>65,796</u>
Total depreciation expense-Business-type activities	<u><u>\$66,006</u></u>

Component Units

Activity for the KDFA for the year ended June 30, 2002, was as follows:

	<i>(Expressed in thousands)</i>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Furniture and equipment	\$ 141	\$ 72	\$ 63	\$ 150
Buildings and Improvements	—	98	—	98
Less Accumulated depreciation	<u>(119)</u>	<u>(38)</u>	<u>(61)</u>	<u>(96)</u>
Total capital assets, being depreciated, net	<u><u>\$ 22</u></u>	<u><u>\$ 132</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 152</u></u>

Activity for the KTEC was as follows:

	<i>(Expressed in thousands)</i>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
General fixed assets	\$ 465	—	\$ (290)	\$ 174
Capital assets, being depreciated, net				
Furniture and equipment	\$ 767	\$ 310	—	\$ 1,077
Less Accumulated depreciation	<u>(653)</u>	<u>(75)</u>	<u>—</u>	<u>(728)</u>
Total capital assets, being depreciated, net	<u><u>\$ 114</u></u>	<u><u>\$ 235</u></u>	<u><u>—</u></u>	<u><u>\$ 349</u></u>
Total capital assets, net	<u><u>\$ 579</u></u>	<u><u>\$ 235</u></u>	<u><u>\$ (290)</u></u>	<u><u>\$ 523</u></u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

Construction Commitments

Primary Government

The State has active construction projects as of June 30, 2002. The projects include recreational boat access, dam repair, building remodeling and restoration, and new juvenile correctional facilities. The Kansas Department of Transportation (KDOT) has outstanding commitments at June 30, 2002 for various highway projects in the amount of \$726 million.

KDOT's commitments will be funded by revenues from various Federal, State, and local sources primarily in the form of matching Federal highway construction funds, motor fuel taxes, and vehicle registrations and permits. At year-end, the remaining State commitments with contractors are as follows:

<u>Agency - Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Funding Source</u>
Wildlife and Parks - Motor Boat Access	\$ 616	\$ 1,002	Federal aid and hunting revenues
Wildlife and Parks - Repair of State Dams	1,423	2,109	Lifetime hunting license revenues
Department of Administration - Brigham Building Remodeling	844	1,469	Lease revenue bonds secured by lease rents
Department of Administration - Statehouse Restoration and Renovation	7,662	7,501	Lease revenue bonds secured by lease rents
Juvenile Justice Authority – Topeka Facility	4,133	31,988	Revenue bonds, grants, and fund appropriations
Juvenile Justice Authority – Larned Facility	14,607	5,935	Revenue bonds, grants, and fund appropriations
Wichita State University - Koch Arena Renovation	1,097	21,875	Revenue bonds, student fees, athletic funds, and donations
<u>Kansas State University</u>			
Ackert Hall Addition	8,447	3,874	Revenue bonds, crumbling classroom funds and donations
Grain Science Center	248	5,387	Revenue bonds and donations
<u>University of Kansas</u>			
Robert J. Dole Institute of Politics	2,697	4,418	Federal grants and donations
Student Union Renovation Project	3,114	2,577	Revenue bonds secured by project revenues
Student Recreation and Fitness Center	1,357	12,533	Revenue bonds secured by project revenues
Ellsworth Hall Project	787	9,595	Revenue bonds secured by project revenues
Laboratory Animal Resources	<u>2,911</u>	<u>1,589</u>	Revenue bonds and grants
Total	<u>\$ 49,943</u>	<u>\$ 111,852</u>	

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

H. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2002, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Correctional Institutions Building Fund	Lottery Operating Fund	\$ 400
Juvenile Detention Facilities Fund	Lottery Operating Fund	200
State Economic Development Fund	Lottery Operating Fund	<u>3,400</u>
Total		<u>\$4,000</u>

Interfund transfers:

	Transfer In:			<i>(In Thousands)</i>
Transfer out:	Transportation Fund	Nonmajor Governmental Funds	University System Fund	Total
General Fund	\$ 30,400	\$ 85,545	\$ 721,120	\$ 837,065
Social and Rehabilitation Fund		451,898		451,898
Nonmajor governmental funds			38,732	38,732
Nonmajor enterprise funds	<u> </u>	<u>189,382</u>	<u> </u>	<u>189,382</u>
Total transfers out	<u>\$ 30,400</u>	<u>\$ 726,825</u>	<u>\$ 759,852</u>	1,517,077
Total transfers in				<u>\$ 1,517,077</u>

State of Kansas
Notes to the Financial Statements
June 30, 2002

III. Detailed Notes on All Funds

I. Short-Term Obligations

Short-term obligations at June 30, 2002 and changes for the fiscal year then ended, are as follows (expressed in thousands):

	6/30/01 Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	6/30/02 Ending <u>Balance</u>
<i>Governmental Activities</i>				
Certificates of Indebtedness	\$ -	\$ 350,000	\$ 350,000	\$ -
KDFA Series 2000Q, 5.4%	680	-	680	-
KDFA Series 2001, Bond Anticipation Note, 3.5%	-	1,690	1,690	-
KDFA Series 2001-2, 1.842% - 3.126%	<u>-</u>	<u>4,100</u>	<u> </u>	<u>4,100</u>
Total Short-term Obligations	<u>\$ 680</u>	<u>\$ 355,790</u>	<u>\$ 352,370</u>	<u>\$ 4,100</u>

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30 immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of \$ 150,000,000 was issued on September 28, 2001 and redeemed on June 26, 2002, and a Certificate of Indebtedness of \$ 200,000,000 was issued on December 13, 2001 and redeemed on June 26, 2002.

The Kansas Development Finance Authority (KDFA) is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the KDFA has authorized the issuance of notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

The \$ 680,000 KDFA Revenue Notes, Series 2000Q, was issued to fund the Kansas Board of Regents' University of Kansas Student Recreation and Fitness Center Project. The eighteen-month revenue notes were privately placed with Koch Financial Services Corporation.

The \$ 1,690,000 KDFA Bond Anticipation Note, Series 2001, was issued to fund a capital improvement project for the Department of Human Resources. The note shall be subject to redemption and payment at any time prior to its maturity date of August 1, 2002 at the option of the KDFA, and will be redeemed upon the issuance and sale of revenue bonds for permanent financing of the project.

The \$ 4,100,000 KDFA Bond Anticipation Note, Series 2001-2, was issued to fund acquisition of a fleet operations center. The Note shall be subject to redemption and payment at any time prior to its maturity date of November 1, 2002 at the option of the KDFA, and will be redeemed upon the issuance and sale of revenue bonds for permanent financing of the acquisition. Subsequent to June 30, 2002, the maturity of the note was extended to January 6, 2003.

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III. Detailed Notes on All Funds

J. Long-Term Obligations - Primary Government, Governmental Funds

A summary of long-term obligations at June 30, 2002 for the fiscal year then ended is as follows (expressed in thousands):

	Government Activities	Business-Type Activities	Component Units	Total
Revenue Bonds Payable	\$ 1,448,399	\$ 713,110	\$ 253,975	\$ 2,415,484
Notes Payable	24,249	58,052		82,301
Loan Reserve Payable		2,800		2,800
Capital Leases Payable	122,121			122,121
Arbitrage Rebate Payable	93	5,342		5,435
Claims and Judgements	40,310	337,200		377,510
Compensated Absences	96,303	41,900		138,203
Total Long-Term Obligations	<u>\$ 1,731,475</u>	<u>\$ 1,158,404</u>	<u>\$ 253,975</u>	<u>\$ 3,143,854</u>

Long-term obligations at June 30, 2002 and changes for the fiscal year then ended, are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/01 Beginning Balance	Additions	Deletions	6/30/02 Ending Balance	Amounts Due In One Year
Governmental Activities									
<u>Revenue Bonds Payable:</u>									
KDOT Series 1992	1992	5.00 - 7.25%	2012	\$ 113,950	\$ 56,550	\$ -	\$ 12,225	\$ 44,325	\$ -
KDOT Series 1992 A	1992	4.30 - 6.00%	2005	51,150	25,765		5,920	19,845	6,250
KDOT Series 1993	1993	4.40 - 6.00%	2013	250,000	213,765		13,215	200,550	13,850
KDOT Series 1993 A	1993	2.65 - 5.63%	2012	147,405	141,615		935	140,680	13,945
KDOT Series 1994	1994	3.90 - 6.13%	2013	125,000	112,735		6,505	106,230	6,785
KDOT Series 1994 A	1994	4.80 - 5.60%	2007	20,360	16,260		2,205	14,055	2,320
KDOT Series 1998	1998	3.65 - 5.50%	2014	189,195	181,455		4,090	177,365	4,255
KDOT Series 1999	1999	4.40 - 5.75%	2019	325,000	325,000			325,000	-
KDOT Series 2000 A, B & C	2000	4.50 - 5.85%	2021	350,000	350,000			350,000	-
KDFA Series 1992 H	1992	5.40 - 6.25%	2014	8,000	5,655		5,655	-	-
KDFA Series 1993 SK-1 & SK-2	1993	3.01 - 5.60%	2003	3,905	935		455	480	480
KDFA Series 1996 SK-1	1996	3.30 - 4.75%	2006	8,890	4,840		850	3,990	930
KDFA Series 1998 V	1998	4.25 - 5.00%	2008	11,195	9,145		1,120	8,025	1,180
KDFA Series 1999 E	1999	4.00 - 5.00%	2009	34,470	28,285		3,135	25,150	3,125
KDFA Series 2001 M	2001	3.50 - 5.00%	2011	32,390	-	32,390	2,000	30,390	2,000
Plus Deferred Amounts:					-	2,314		2,314	
Net Unamortized Premium (Discount)									
Total Revenue Bonds Payable				<u>1,670,910</u>	<u>1,472,005</u>	<u>34,704</u>	<u>58,310</u>	<u>1,448,399</u>	<u>55,120</u>
<u>Notes Payable:</u>									
Water Supply Storage Assurance				1,972	1,298		188	1,110	198
Water Supply Storage in Federal Reservoirs				23,082	16,775		376	16,399	388
Landon State Office Building				15,775	4,108		920	3,188	939
Uninsurable Health Insurance Plan				2,000	2,000			2,000	-
Printing Plant				<u>3,857</u>	<u>1,684</u>		<u>132</u>	<u>1,552</u>	<u>139</u>
Total Notes Payable				<u>46,686</u>	<u>25,865</u>	<u>-</u>	<u>1,616</u>	<u>24,249</u>	<u>1,664</u>
Arbitrage Rebate Payable					93			93	-
Capital Leases Payable					115,600	14,793	8,272	122,121	8,936
Claims and Judgements					40,383	325,760	325,833	40,310	22,751
Compensated Absences					<u>87,186</u>	<u>9,117</u>		<u>96,303</u>	<u>53,241</u>
Total Governmental Activities					<u>\$ 1,741,132</u>	<u>\$ 384,374</u>	<u>\$ 394,031</u>	<u>\$ 1,731,475</u>	<u>\$ 141,712</u>
Business-Type Activities									
<u>Revenue Bonds Payable:</u>									
Board of Regents Series 1969 A&B	1969	3.00 - 7.13%	2009	\$ 1,545	\$ 330	\$ -	\$ 40	\$ 290	\$ 40
KDFA Series 1988 F	1988	6.30 - 7.70%	2003	3,500	600	44	485	159	159
KDFA Series 1989 E	1989	6.00 - 7.25%	2010	1,401	885	57	131	811	77
KDFA Series 1993 C	1993	3.25 - 6.00%	2008	1,200	735		75	660	80
KDFA Series 1993 SRF I & II	1993	3.25 - 6.13%	2015	71,200	27,470		9,790	17,680	3,470
KDFA Series 1994 E	1994	4.70 - 6.00%	2010	2,155	1,570		120	1,450	125
KDFA Series 1994 D	1994	4.75 - 6.60%	2010	2,000	1,445		110	1,335	115
KDFA Series 1995 D	1995	4.30 - 5.15%	2005	4,085	2,070		2,070	-	-
KDFA Series 1995 F	1995	4.00 - 5.88%	2021	14,055	12,645		325	12,320	340
KDFA Series 1995 G	1995	3.80 - 4.75%	2005	2,095	1,140		220	920	230
KDFA Series 1995 I	1995	4.05 - 5.75%	2014	6,915	5,500		5,120	380	380
KDFA Series 1995 K	1995	3.75 - 5.40%	2016	3,835	3,290		130	3,160	140
KDFA Series 1996 E	1996	3.90 - 5.75%	2021	4,100	3,660		95	3,565	100
KDFA Series 1996 K-1 & K-2	1996	4.00 - 5.60%	2011	50,000	2,375		2,375	-	-
KDFA Series 1997 I & II (Jan)	1997	4.10 - 5.60%	2017	39,260	37,590		27,390	10,200	1,075
KDFA Series 1997 I & II (Dec)	1997	4.13 - 5.00%	2018	45,420	43,985		1,495	42,490	1,555
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	3,255	2,515		205	2,310	215
KDFA Series 1997 G-1 & G-2	1997	3.75 - 5.50%	2012	109,281	94,500	38	6,475	88,063	6,795
KDFA Series 1998 I & II (Nov)	1998	3.88 - 5.25%	2021	39,690	39,100		1,235	37,865	1,285

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	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/01 Beginning Balance	Additions	Deletions	6/30/02 Ending Balance	Amounts Due In One Year
Business-Type Activities (Continued)									
<u>Revenue Bonds Payable:</u>									
KDFA Series 1998 II (June)	1998	3.75 - 5.00%	2020	80,500	77,805		1,900	75,905	2,045
KDFA Series 1998 B	1998	3.90 - 5.00%	2018	9,320	8,500		300	8,200	315
KDFA Series 1998 D	1998	3.70 - 5.05%	2023	4,290	3,990		100	3,890	100
KDFA Series 1998 E	1998	3.40 - 4.90%	2024	4,750	4,655		100	4,555	105
KDFA Series 1998 H	1998	3.75 - 4.80%	2013	2,320	2,000		115	1,885	120
KDFA Series 1998 P	1998	3.00 - 4.85%	2019	3,650	3,445		110	3,335	115
KDFA Series 1999 B	1999	3.60 - 5.00%	2012	2,920	2,830		100	2,730	105
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	2,985		100	2,885	105
KDFA Series 1999 D	1999	4.00 - 4.75%	2014	11,170	10,605		560	10,045	595
KDFA Series 1999 F	1999	3.70 - 5.00%	2005	5,740	3,950		920	3,030	965
KDFA Series 2000 I & II (June)	2000	4.75 - 5.63%	2022	53,500	53,500			53,500	735
KDFA Series 2000 I & II (Nov)	2000	4.60 - 6.13%	2021	82,915	82,915		54,945	27,970	1,315
KDFA Series 2000 B	2000	4.70 - 5.90%	2015	5,705	5,455		245	5,210	260
KDFA Series 2000 D	2000	4.60 - 5.60%	2015	1,735	1,655		75	1,580	80
KDFA Series 2001 I & II	2001	3.25 - 5.50%	2021	141,045	-	141,045		141,045	1,035
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	2,805		75	2,730	95
KDFA Series 2001 F	2001	3.30 - 4.50%	2011	29,905	29,905		150	29,755	2,565
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	14,260	14,260		1,250	13,010	1,195
KDFA Series 2001 U	2001	3.10 - 5.00%	2021	10,295	-	10,295	300	9,995	480
KDFA Series 2002-1 & 2002-2	2002	4.00 - 5.50%	2022	51,805	-	51,805		51,805	-
KDFA Series 2002 A	2002	3.50 - 5.00%	2027	26,560	-	26,560		26,560	735
Plus Deferred Amounts:									
Net Unamortized Premium (Discount)									
Total Revenue Bonds Payable				953,267	592,665	239,676	119,231	713,110	29,246
<u>Notes Payable:</u>									
Plant Science Building									
				4,086	1,430		174	1,256	130
Component Units of University System									
Total Notes Payable				47,887	45,231	15,500	2,679	58,052	2,735
Loan Reserve Payable									
					2,394	406		2,800	
Arbitrage Rebate Payable									
					4,373	2,751	1,782	5,342	1,224
Claims and Judgements									
					344,600		7,400	337,200	
Compensated Absences									
					39,965	1,935		41,900	38,309
Total Business-Type Activities					\$ 1,029,228	\$ 260,268	\$ 131,092	\$ 1,158,404	\$ 71,514
Component Units									
<u>Revenue Bonds Payable:</u>									
KDFA Series 1991 D	1991	4.70 - 6.50%	2007	\$ 1,795	\$ 975	\$ -	\$ 120	\$ 855	\$ 130
KDFA Series 1992 G	1992	4.25 - 6.35%	2009	3,600	1,145		1,145	-	-
KDFA Series 1992 L	1992	4.30 - 6.00%	2005	75,370	21,705		21,705	-	-
KDFA Series 1992 T	1992	5.00 - 6.60%	2008	5,585	3,505		3,505	-	-
KDFA Series 1993 L	1993	3.40 - 5.15%	2009	3,975	1,865		380	1,485	370
KDFA Series 1994 C	1994	4.00 - 5.90%	2010	10,320	2,920		320	2,600	345
KDFA Series 1995 E	1995	4.10 - 5.20%	2007	2,734	1,550		335	1,215	345
KDFA Series 1996 A	1996	4.00 - 5.20%	2008	5,105	2,690		600	2,090	605
KDFA Series 1996 J	1996	3.85 - 5.40%	2010	5,600	2,775		630	2,145	300
KDFA Series 1997 J	1997	3.85 - 4.25%	2003	6,455	3,055		1,180	1,875	1,875
KDFA Series 1998 L	1998	3.80 - 5.00%	2019	5,590	5,250		185	5,065	195
KDFA Series 1999 A-1 & A-2	1999	3.20 - 5.00%	2005	28,210	27,515		900	26,615	1,495
KDFA Series 1999 H	1999	3.75 - 5.63%	2020	17,830	17,320		530	16,790	545
KDFA Series 1999 N	1999	4.00 - 5.88%	2035	21,645	21,355		250	21,105	-
KDFA Series 2000 R	2000	4.35 - 4.60%	2005	4,530	4,530		820	3,710	860
KDFA Series 2000 T	2000	4.35 - 5.13%	2015	2,090	2,090		100	1,990	105
KDFA Series 2000 V	2000	4.35 - 5.38%	2020	16,370	16,370		400	15,970	555
KDFA Series 2001 C	2001	4.00 - 4.00%	2003	315	315		315	-	-
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	48,895		1,305	47,590	1,550
KDFA Series 2001 J	2001	3.50 - 4.30%	2013	5,300	-	5,300	310	4,990	425
KDFA Series 2001 S	2001	4.10 - 5.50%	2021	38,635	-	38,635	6,445	32,190	6,809
KDFA Series 2001W	2001	3.00 - 5.00%	2021	49,865	-	49,865		49,865	726
KDFA Series 2002 C	2002	3.00 - 5.00%	2021	15,830	-	15,830		15,830	-
Total Revenue Bonds Payable				375,644	185,825	109,630	41,480	253,975	17,235
Total Component Units					\$ 185,825	\$ 109,630	\$ 41,480	\$ 253,975	\$ 17,235

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The following table presents annual debt service requirements for those long-term debts outstanding at June 30, 2002, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Revenue Bonds:</u>						
2003	\$ 55,120	\$ 78,623	\$ 29,246	\$ 36,197	\$ 17,235	\$ 14,113
2004	58,445	75,764	32,664	34,920	17,745	12,056
2005	61,655	72,309	36,150	33,379	16,380	11,256
2006	81,865	68,309	36,782	31,642	13,580	10,587
2007	77,370	64,223	38,779	29,837	12,810	9,954
2008-2012	416,265	259,244	220,962	111,338	59,000	40,948
2013-2017	354,430	157,651	170,990	60,704	49,665	27,027
2018-2022	340,935	230,503	120,875	20,409	54,025	11,838
2023-2027			16,830	1,676		3,923
2028-2032					8,525	1,717
2033-2037					5,010	736
2038-2041						
Unamortized Premium	2,314		9,832			
Totals	1,448,399	1,006,626	713,110	360,102	253,975	144,155
<u>Notes Payable:</u>						
2003	1,664	920	2,735	2,779		
2004	3,318	825	3,065	2,624		
2005	1,351	747	3,180	2,466		
2006	1,384	670	3,248	2,303		
2007	1,422	588	3,332	2,136		
2008-2012	3,196	2,290	17,288	8,444		
2013-2017	2,828	1,771	18,826	3,948		
2018-2022	3,313	1,286	6,378	797		
2023-2027	3,136	732				
2028-2032	1,685	270				
2033-2037	502	103				
2038-2041	450	33				
Totals	24,249	10,235	58,052	25,497		
Capital Leases Payable	122,121					
<u>Long-Term Debt without scheduled debt service:</u>						
Loan Reserve Payable			2,800			
Arbitrage Rebate Payable	93		5,342			
Claims and Judgements	40,310		337,200			
Compensated Absences	96,303		41,900			
Total Long-term Obligations	<u>\$ 1,731,475</u>	<u>\$ 1,016,861</u>	<u>\$ 1,158,404</u>	<u>\$ 385,599</u>	<u>\$ 253,975</u>	<u>\$ 144,155</u>
<i>General Obligation Bonds</i>						

III. Detailed Notes on All Funds

General Obligation Bonds

The State does not have the statutory authority to issue general obligation bonds. However, the Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

Revenue Bonds

The **Kansas Development Finance Authority (KDFA)** was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses. The KDFA has issued numerous outstanding series of bonds. Please reference Note H. above for KDFA revenue bonds.

The **Kansas Department of Transportation (KDOT)** has issued ten outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Comprehensive Transportation Program. The State's Comprehensive Transportation Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 1999 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees.

The KDOT Adjustable Tender Highway Revenue Bonds, Series 2000B and 2000C were issued in December 2000 for \$ 100 million each. The bonds were issued as twenty-year bonds with a variable interest rate not to exceed 10.0 percent. The coupon interest rate on outstanding bonds varies from 4.0 percent to 7.3 percent. In addition, the Series 2000B and Series 2000C bonds were issued as variable rate instruments whose rates change on a daily and weekly basis, respectively, based on market fluctuations. During the year interest rates ranged from .8 percent to 2.85 percent on the daily adjustable bonds and from 1.05 percent to 2.7 percent on the weekly adjustable bonds. KDOT may adjust the time period the variable interest rates are determined or permanently fix the rates in accordance with the bond agreement. The 2000B and 2000C Bonds are subject to tender under certain conditions. If the tendered bonds can not be remarketed, the PMIB has agreed to purchase the bonds and hold them for a maximum of 180 days. Through June 30, 2002, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2002 for tendered bonds, the Series 2000B and 2000C Bonds have been recorded as obligations of the Capital Projects Fund resulting in a deficit fund balance in that fund.

The **Board of Regents of the State of Kansas** (Regents) has issued one outstanding series of Revenue Bonds to construct a dormitory at Emporia State University. Principal and interest payments on the bonds are paid from revenues collected from the operation of the dormitory.

Special Obligation and Private Activity Bonds

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special, limited obligations of KDFA, neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2002 balance sheet. KDFA's special obligations bonds at June 30, 2002 total \$ 771,022,875.

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Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's June 30, 2002 balance sheet. KDFA's private activity bonds at June 30, 2002 total \$ 802,755,233.

Notes Payable

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 22 years for water supply storage capacity in large federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such, the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2002 for portions of the storage designated as "future use" storage.

Lease Commitments

The State leases office buildings, space, and equipment. Although the lease terms vary under a variety of agreements, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered non-cancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2002 are as follows (expressed in thousands):

<u>Fiscal Year</u>	
2003	\$ 5,747
2004	5,659
2005	5,659
2006	4,420
2007	3,876
2008-2012	12,644
2013-2017	<u>1,574</u>
Total Future Minimum Lease Payments	<u>\$ 39,579</u>
Rent expenditures/expenses for operating leases for year ended June 30, 2002	<u>\$ 7,310</u>

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Capital Leases

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. At the date of acquisition, the assets are valued on the statement of net assets at the present value of the future minimum lease payments. Interest expense for capital leases is not capitalized.

The following schedule presents future minimum lease payments as of June 30, 2002 (expressed in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2003	\$ 8,936	\$ 5,700
2004	7,154	5,303
2005	5,438	4,973
2006	4,601	4,722
2007	4,554	4,499
2008-2012	21,145	19,887
2013-2017	22,536	17,797
2018-2022	11,995	10,810
2023-2027	17,673	7,094
2028-2032	18,089	1,906
Total	<u>\$ 122,121</u>	<u>\$ 82,691</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2002, include the following (expressed in thousands):

	Governmental Activities	Business-type Activities
Land (non-depreciable)	\$ 9,677	\$ 250
Buildings	87,091	2,246
Less: Accumulated depreciation	(6,004)	(84)
Total	<u>\$ 90,764</u>	<u>\$ 2,412</u>

Master Lease Purchase Program

The Master Lease Purchase Program, administered by the Department of Administration, provides low interest, equipment lease purchase financing and energy conservation project financing to state agencies. The Program began in 1985 with the issuance of Certificates of Participation and evolved into the current Program, which utilizes lines of credit. Lease purchase obligations under the Program are not general obligations of the State, but are payable from appropriations of State agencies participating in the Program, subject to annual appropriation. Financing terms of two years through fifteen years are available. The financing term should not exceed the useful life of the purchased item. The interest component of each lease/purchase payment is subject to a separate determination.

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Defeasance of Debt

Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2002 and changes for the fiscal year then ended, are as follows (expressed in thousands):

	6/30/01 Beginning Balance	Current Year Defeased	Payments	6/30/02 Ending Balancing
Governmental Activities				
KDOT Series 1972 A & B	\$ 7,695	\$	\$ 4,970	\$ 2,725
KDOT Series 1973 A	7,235		2,260	4,975
KDOT Series 1976	5,600		5,600	-
KDOT Series 1992	132,820		132,820	-
KDOT Series 1992 A	73,850			73,850
KDOT Series 1994 A	29,640			29,640
KDFA Series 1992 G	-	1,145	1,145	-
KDFA Series 1992 H	-	5,655	330	5,325
KDFA Series 1992 L	-	21,705	21,705	-
KDFA Series 1992 T	-	3,505	3,505	-
KDFA Series 1993 SRF-I	-	6,345		6,345
KDFA Series 1995 I	-	4,745		4,745
KDFA Series 1997 II	-	26,515		26,515
KDFA Series 2000 II	-	54,945		54,945
Total Governmental Activities	<u>\$ 256,840</u>	<u>\$ 124,560</u>	<u>\$ 172,335</u>	<u>\$ 209,065</u>
Business-Type Activities				
KDFA Series 1962	\$ 123	\$ -	\$ 67	\$ 56
KDFA Series 1962 (JTIII)	91		55	36
KDFA Series 1963	58		30	28
KDFA Series 1993 H	840		840	-
KDFA Series 1964 (KSU)	555		225	330
KDFA Series 1964 (KU)	400		130	270
KDFA Series 1965	320		75	245
KDFA Series 1966	569		105	464
KDFA Series 1968	140		20	120
KDFA Series 1978	510		160	350
KDFA Series 1994 A	2,670		2,670	-
KDFA Series 1996 K-I & II	29,235		29,235	-
Total Business-Type Activities	<u>\$ 35,511</u>	<u>\$ -</u>	<u>\$ 33,612</u>	<u>\$ 1,899</u>
Trust and Agency Activities				
KDFA Series 1964	<u>\$ 26,010</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 23,510</u>
Total Defeased Bonds	<u><u>\$ 318,361</u></u>	<u><u>\$ 124,560</u></u>	<u><u>\$ 208,447</u></u>	<u><u>\$ 234,474</u></u>

State of Kansas
Notes to the Financial Statements
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III. Detailed Notes on All Funds

Information for bonds defeased in the current fiscal year is as follows (expressed in thousands):

<u>Bond Issue</u>	<u>Amount Defeased</u>	<u>Remaining Liability</u>	<u>Economic Gain (Loss)</u>	<u>Aggregate Debt Service Reduction</u>
1993 Series I	\$ 6,345	\$ 6,345	\$ 221	\$ 325
1995 Series I	4,745	4,745	158	232
1997 Series II	26,515	26,515	917	1,347
2000 Series II	<u>54,945</u>	<u>54,945</u>	<u>1,864</u>	<u>2,739</u>
Total Defeased	<u>\$ 92,550</u>	<u>\$ 92,550</u>	<u>\$ 3,160</u>	<u>\$ 4,643</u>

The economic gain is defined as the difference between the present values of the old and new debt service payments. The aggregate debt service reduction is defined as the difference between the refunded debt and the refunding debt.

Component Unit

For financial reporting purposes, the **Kansas Development Finance Authority** has in substance defeased certain lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Information for lease revenue bonds defeased in the current fiscal year is as follows (expressed in thousands):

<u>Bond Issue</u>	<u>Amount Defeased</u>	<u>Remaining Liability</u>	<u>Economic Gain (Loss)</u>	<u>Aggregate Debt Service Reduction</u>
1992 Series H	\$ 5,655	\$ 5,325	\$ 400	\$ 1,690
1992 Series G	1,145	-	60	70
1992 Series L	21,705	-	290	236
1992 Series T	<u>3,505</u>	<u>-</u>	<u>157</u>	<u>155</u>
Total Defeased	<u>\$ 32,010</u>	<u>\$ 5,325</u>	<u>\$ 907</u>	<u>\$ 2,151</u>

The economic gain is defined as the difference between the present values of the old and new debt service payments. The aggregate debt service reduction is defined as the difference between the refunded debt and the refunding debt.

Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of \$ 93,000 for Governmental Activities and \$ 5,342,000 for Business-Type Activities.

State of Kansas
Notes to the Financial Statements
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III. Detailed Notes on All Funds

K. Beginning Fund Balance Adjustments

The following is a summary reconciliation of June 30, 2001 fund balances as previously reported to beginning fund balances as restated to convert financial statements prepared on the modified cash basis of accounting to generally accepted accounting principles (expressed in thousands):

	State General Fund	Other Governmental Funds	Total Governmental Funds	Enterprise	Internal Service	Fiduciary	Component Unit
June 30, 2001 fund balance as previously reported	\$ 403,134	\$ 1,553,318	\$ 1,956,452	\$ 73,412	\$ 54,506	\$ 10,962,439	\$ 0
Prior period adjustments:							
Accruals:							
Receivables	198,594	78,068	276,662	557,121	0	28,957	0
Payables	-45,571	-189,909	-235,480	-104,730	0	-8,712	0
Capital assets	0	0	0	1,242,363	178,855	0	0
Inventory	7,294	13,332	20,626	20,975		3,149	0
Inclusion of component units	0	0	0	0	0	0	15,783
Other	0	0	0	857,302	-134,003	0	0
Demand bonds	0	-200,000	-200,000	0	0	0	0
Agency fund equity reclassified as liabilities	0	0	0	0	0	-1,329,878	0
Long-term liabilities	0	0	0	-700,844	-114,465	0	0
Claims and judgement payable	0	0	0	-342,600	0	0	0
June 30, 2001 fund balance as restated	<u>\$ 563,451</u>	<u>\$ 1,254,809</u>	<u>\$ 1,818,260</u>	<u>\$ 1,602,999</u>	<u>\$ -15,107</u>	<u>\$ 9,655,955</u>	<u>\$ 15,783</u>

IV. Other Information

A. Risk Management

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (prescription drug and dental plus three of eight medical health plan options), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to \$ 500,000 (except where separate coverage required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on real property valued at \$500,000 or more (except where separate coverage required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Coverage for health care claims for prescription drugs and dental claims plus three of eight medical health plan options is provided by The Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund for all active employees, and The Post Employment Health and Dental Care Claims Health and Hospitalization Fund for post-employment populations (retirees). Risk is managed by the performance of full experience studies twice a year. The liability for unpaid claims is the plan reimbursement for services rendered or prescriptions received where the payment to the provider, the member, or the claims administrator has not occurred. These liabilities are estimated by analyzing the prior payment patterns for the same coverage or medical option.

The State Self-Insurance Fund (SSIF) is self-insured and self-administered for providing workers' compensation coverage to the State's employees. The agencies make contributions to the SSIF to cover projected losses and net expenses. The SSIF also maintains a partial reserve to reduce the likelihood of additional required contributions due to adverse loss experience. The liability represents results from an annual actuarial study for claims reported but unpaid plus an estimate for claims incurred but not reported.

The Kansas Public Employees Retirement System (KPERS) Death & Disability Fund provides long-term disability coverage to all State employers including all Kansas counties, schools, and most cities via a risk pool. The State and the pool share responsibility to guarantee benefits to eligible individuals. The liability represents amounts for reported but unpaid claims plus an estimate for claims incurred but not reported based on actual and historical claim activity.

The remaining risk management activities of the State are included in the State's General Fund. The State has not encountered difficulty in resolving past losses by using resources available at the time the loss occurred.

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgements arising from claims against the State or an employee of the State under the *Kansas Tort Claims Act*, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under *The Kansas Tort Claims Act* is \$500,000 per occurrence or accident. At June 30, 2002 there were no material claims incurred but unpaid.

The State Emergency Fund (SEF) provides payment of costs to preserve public health and protect persons and property from unforeseen extraordinary conditions; repair or replacement of property owned by the State destroyed or damaged by sabotage, fire, flood, wind, tornado, or other catastrophe; and costs associated with a major disaster. When the balance in the SEF is insufficient to pay a claim, a transfer is made from the State General Fund to the SEF. The total amount available for transfer during any fiscal year shall not exceed \$ 10,000,000. At June 30, 2002 there were no material claims incurred but unpaid.

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IV. Other Information

The State's self-insurance program covers all personal property losses and real estate property losses up to \$500,000 (except where separate coverage required by bond covenant). Claims in excess of \$ 500,000 are covered by commercial insurance under a statewide policy. The statewide policy has a limit of \$ 100,000,000 per occurrence except flood and earthquake are applied as annual aggregates separately to each peril, and a deductible of \$5,000,000 per occurrence for most buildings. The self-insurance program for personal and real estate property loss represents an estimate of amounts to be paid from currently expendable available financial resources. At June 30, 2002 there were no material claims incurred but unpaid.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payments), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2002 (expressed in thousands):

	Claims Liability Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Claims Liability Ending Balance	Non-current Liability	Current Liability
State Self-Insurance Fund	\$ 21,509	\$ 13,798	\$ (13,743)	\$ 21,564	\$ 17,371	\$ 4,193
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund *	14,741	154,295	(156,045)	12,991	130	12,861
Post Employment Health and Dental Care Claims Health and Hospitalization Fund **	4,133	157,667	(156,045)	5,755	58	5,697
KPERS Death & Disability Fund	<u>2,305</u>	<u>23,767</u>	<u>(24,566)</u>	<u>1,506</u>	<u>-</u>	<u>1,506</u>
Total	<u>\$ 42,688</u>	<u>\$ 349,527</u>	<u>\$ (350,399)</u>	<u>\$ 41,816</u>	<u>\$ 17,559</u>	<u>\$ 24,257</u>

* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the active employee participant component.

** Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the post-employment participant component.

IV. Other Information

B. Contingencies and Commitments

Litigation

The state is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the state arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of state and Federal laws. Known claims, asserted and unasserted, have been evaluated for the likelihood of an unfavorable outcome and the ability to estimate the amount or range of potential loss in the event of an unfavorable outcome. After review, it is the state's opinion that its ultimate liability in these cases, if any, is not expected to have a material adverse affect on the financial position of the state, except for potential litigation involving the Kansas Department on Aging (KDOA) and the Kansas Department of Social and Rehabilitation Services (SRS) against the Centers for Medicare and Medicaid Services (CMS) concerning the Kansas Intergovernmental Transfer (IGT) Program. The IGT Program has resulted in approximately \$300 million to the state. However, CMS is now challenging certain IGT claims. CMS has deferred \$7.7 million for one quarter which potentially puts at risk another approximately \$67 million for additional quarters. Counsel is optimistic that the state will ultimately be successful in any action against CMS involving this matter.

Federal Financial Assistance

The state receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. Grants are subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies. Disallowances by Federal officials as a result of these audits may become liabilities of the state. The state is not able to estimate and has not recorded any liability for disallowed costs in the Basic Financial Statements for not complying with the terms of Federal grants.

C. Post-Employment Benefits

Primary Government

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provides post-employment health care benefits to retirees who elect the Kansas Choice medical option. Retirees electing this option pay less than one hundred percent of the projected costs. The monthly amount of reduced cost (subsidy) ranges from \$ 13.52 to \$ 98.18 for early retirees, and \$ 10.21 to \$ 115.13 for Medicare eligible retirees. Early retirees are defined as those retirees not yet Medicare eligible. The participant is required to pay the medical and prescription costs less the subsidy. The employer contribution is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Estimated Current Year Expenditures <u>(Subsidies)</u>	Eligible <u>Participants</u>	Enabling <u>Legislation</u>
Kansas Choice Post-Employment Benefits	\$ 1,100,000	6,797	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

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IV. Other Information

D. Employee Retirement Systems and Pension Plans

Kansas Public Employees Retirement System - Plan Descriptions

The Kansas Public Employees Retirement System (the System) is an umbrella organization administering the following three state-wide retirement systems under one plan as provided by K.S.A. 74 Article 49: Kansas Public Employees Retirement System (KPERs), Kansas Police and Firemen's Retirement System (KP&F) and Kansas Retirement System for Judges (Judges). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer groups. Participation by the State is mandatory, whereas participation by local political subdivisions is an option but irrevocable once elected. The State Elected Officials Special Members Retirement System is also administered by the System. This system is closed to new members and only a small group is participating.

The System publishes its own financial report, which is available upon request from KPERs.

The System provides retirement, death and disability benefits to State employees, public school employees and employees of counties, municipalities, and certain other State political subdivisions. Although public schools are outside the State reporting entity, the State provides the required employers' contribution for public school employees' retirement benefits.

The System's total covered salaries and wages paid were approximately \$5,116.4 million. The State's total salaries and wages paid were approximately \$1,503.0 million of which approximately \$835.1 million or approximately 56.0 percent relates to employees participating in the System. The remaining approximately 44.0 percent represents salaries and wages paid to employees, such as educational institution employees not participating in the System, employees who have not met the required tenure of employment for participation or those employees who are classified as other than "permanent" and are not eligible for participation. Information on participating employees and retirement system membership follows:

<i>Participating Employers</i>	<i>June 30, 2002</i>
KPERs	1,369
KP&F	65
Judges	1
<i>Total</i>	<u><u>1,435</u></u>

MEMBERSHIP BY RETIREMENT SYSTEM
(As of June 30, 2002)

	<u>KPERs</u>	<u>KP&F</u>	<u>Judges</u>	<u>Total</u>
Retired	52,747	3,175	147	56,069
Active/Inactive	176,876	7,615	267	184,758
<i>Total</i>	<u><u>229,623</u></u>	<u><u>10,790</u></u>	<u><u>414</u></u>	<u><u>240,827</u></u>

IV. Other Information

Kansas Public Employees Retirement System - Plan Benefits

Members (except KP&F members) with 10 or more years of credited service may retire as early as age 55 (KP&F members may be age 50 with 20 years of credited service) with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of service credit, or when the members combined age and years of credited service equal 85. KP&F members may elect for normal retirement at age 50 with 25 years of service, at age 55 with 20 years of service or at age 60 with 15 years of service. Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment, members may elect to withdraw the accumulated contributions from their individual account, including the interest credited to the member's account. A member who withdraws their accumulated contributions forfeits all rights and privileges accrued during membership. Members choose one of seven options to receive monthly retirement benefits. Benefit increases, including ad hoc post-retirement benefit increases, must be approved and passed into law by the Kansas legislature. Benefit increases are under the authority of the legislature and the governor of the State of Kansas.

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150.0 percent of the annual rate of compensation at the time of death. Generally, for KPERS in cases of death as the result of an on-the-job accident, there is a \$50,000 lump sum benefit and a monthly benefit payable to a surviving spouse, minor children, or dependent parents (in this order of preference). Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies). There is a \$4,000 death benefit payable to the designated beneficiary(ies) upon the death of a retirant under any system.

Active members (except KP&F and Judges members) are also covered by the provisions of the disability income benefit contract. Annual disability income benefits are based upon two-thirds of the annual rate of compensation at the time of disability, less primary social security benefits, one-half of workers' compensation, and any other employment-related disability benefit, with a minimum monthly benefit of \$100. There is a waiting period of 180 continuous days from the date of disability before benefits can be paid. During the period of approved disability, the member continues to have group life insurance coverage and to accrue participating service credit.

Kansas Public Employees Retirement System - Funding Status and Progress

The law governing the Retirement System requires the actuary to make an annual valuation of the System's liabilities and reserves, and a determination of the contributions required to discharge the System's liabilities. The actuary then recommends to the System's Board of Trustees the employer contribution rates required to maintain the three systems on the actuarial reserve basis.

Every three years the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, and employment turnover. The actuary recommends actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation. An actuarial experience study was conducted for the three years ending December 31, 2000, effective December 31, 2000. As a result of this study, the Board of Trustees adopted new assumptions in regard to retirement rates, mortality and withdrawal rates. In fiscal year 1993, the Kansas legislature passed into law legislation that amended the statutory funding method applicable to the System. For KPERS, the funding method was changed from the frozen initial liability method to the projected unit credit actuarial cost method, and provided that this method be used to determine KPERS employer contribution rates commencing with the 1993 actuarial valuation (except for TIAA members). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amount as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued

State of Kansas
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IV. Other Information

liability over the statutory 40-year period from July 1, 1993. The funding methods used by the System's actuary for the KP&F and the Judges remained consistent and were the aggregate cost method with supplemental liability and the frozen initial liability method, respectively. The actuary has estimated the change in the unfunded actuarial liability between December 31, 2000, and December 31, 2001, can be attributed to the following (in millions):

Unfunded Actuarial Liability, December 31, 2000	\$ 1,305
Effect of contribution cap/time lag	115
Expected increase due to amortization method	14
Loss from investment return	350
Liability experience	18
All other experience	(27)
Change in benefit provisions	0
Change in actuarial assumptions	0
Changes arising from audit	5
Unfunded Actuarial Liability, December 31, 2001	<u>\$ 1,780</u>

Kansas Public Employees Retirement System - Contributions

Member contributions (from 4.0 percent to 7.0 percent of gross compensation), employer contributions and net investment income fund the reserves of the System. Member contribution rates for covered payroll are established by State law and are paid by the employer in accordance with provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of annual actuarial valuations, as the System is funded on an actuarial reserve basis. Contribution rates for KP&F, TIAA and Judges are set at the actuarial rate; however, State of Kansas legislation has placed statutory limitations on annual increases in the contribution rates for KPERS employers. During the 1995 legislative session, the statutory limits were increased to 0.2 percent of payroll over the prior year for fiscal years beginning in 1996 for state and school employers. Beginning in calendar year 1997, the statutory increase for local units of government is limited to no more than 0.15 percent over the prior year. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. Employer contributions for group life and long-term disability are set by statute at 0.6 percent for KPERS and 0.4 percent for Judges. Per Senate Substitute for House Bill 2624, passed by the 2000 Legislature, employers did not make contributions for group life and long-term disability for the period April 1, 2000 to June 30, 2001. This was extended to December 31, 2001.

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Kansas Public Employees Retirement System - Contributions Required and Contributions Made

The actuarially determined contribution rates are computed as a level percentage of salary by the Retirement System's actuary. The results of 1998 and 1999 actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years ending June 30, 2001 and June 30, 2002 respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning 2001 and 2002 are as follows:

Fiscal Year	<u>State/School</u>		<u>Corrections</u>		<u>TIAA</u>	
	Actuarial Rate	Statutory Rate	Actuarial Rate	Statutory Rate	Actuarial Rate	Statutory Rate
2001	5.55%	3.98%	6.88/7.09%	6.88/7.09%	1.21%	1.21%
2002	5.40%	4.18%	6.67/6.84%	6.67/6.84%	1.43%	1.43%

The results of 1999 and 2000 actuarial valuations provide the basis for Board certification of local employer contribution rates for fiscal years beginning in 2001 and 2002, respectively. The actuarial determined employer contribution rates and statutory contribution rates for fiscal years 2001 and 2002 are as follows:

Fiscal Year	<u>Local</u>	
	Actuarial Rate	Statutory Rate
2001	3.28%	2.77%
2002	3.47%	2.92%

KP&F. The uniform participating service rate for all KP&F employers was 6.97 percent for the fiscal year beginning in 2001 and 6.79 percent for the fiscal year beginning in 2002. KP&F employers also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer.

Judges. The total actuarially determined employer contribution rate was 15.74 percent of payroll for the fiscal year ended 2001 and 12.88 percent of payroll for the fiscal year ended 2002.

The law specifies employee contributions as: Each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member 4.0 percent for KPERS members, 7.0 percent for KP&F members and 6.0 percent for Judges members of such member's compensation as employee contributions.

State of Kansas
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IV. Other Information

All contributions required by law to be made have been made as follows:

	Contributions	Contributions ⁽¹⁾	Covered Payroll
KPERS - State/School , TIAA	\$ 156,888	\$ 135,219	8.8 %
KPERS - Local	33,683	44,364	8.8
KP&F	28,245	21,045	19.8
Judges	2,658	1,052	19.7
<i>Total</i>	<u><u>\$ 221,474</u></u>	<u><u>\$ 201,680</u></u>	<u><u>9.4 %</u></u>

An estimated \$348.0 million of employer & employee contributions were made to cover normal cost, and an estimated \$62.0 million was made for the amortization of the unfunded actuarial accrued liability.

⁽¹⁾ Member Contributions do not include Optional Life Insurance contributions of approximately \$7.9 million.

Three-year historical data is presented below to provide information about the progress the System is making in accumulating sufficient assets to pay benefits and employer contributions expressed as a percentage of covered wages:

(Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll	Employer Contributions As a Percentage of Covered Wages
6/30/99	8,601,876	9,999,246	86%	1,397,370	4,480,717	31	4.5
6/30/00	9,568,275	10,801,397	89%	1,233,122	4,684,768	26	4.0
12/31/01 ⁽¹⁾	9,962,918	11,743,052	85%	1,780,134	5,116,384	35	4.3

⁽¹⁾ The asset valuation date was changed to a calendar year basis

Other Retirement Plans

Faculty and other eligible unclassified employees of the Board of Regents (Regents) or educational institutions under its control must participate in the Regents retirement plan. Authorized by statute, this defined contribution plan is funded through contributions by the employees and the Regents for the purchase of retirement annuities. Employees must participate in the plan after one year of service or at date of employment if they contributed to a similar plan for at least one year. The contributions are fully vested with the first contribution.

Employees participating in the Regents mandatory retirement plan are required to contribute 5.5 percent of their salary toward the purchase of their retirement annuity. During fiscal year 2002, employees contributed approximately \$26.1 million. During fiscal year 2002, the 8.5 percent employer contribution totaled \$40.3 million, representing covered wages of approximately \$475.2 million. These employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the voluntary tax-sheltered annuity program, which allows the member to purchase a tax-sheltered annuity contract as a supplement to the basic retirement program. Certain employees are covered by a retirement annuity plan, which is closed to new members.

IV. Other Information

On July 1, 1971, the control of the School for the Blind and the School for the Deaf was transferred from the Regents to the State Board of Education. Employees covered by the Regents retirement at the time of the transfer could continue to purchase a retirement annuity or convert to KPERs. Employees who elected the annuity plan contribute 5.0 percent of their salary toward an annuity purchase. This is matched by a 5.0 percent employer contribution. During fiscal year 2002, \$5,873 was contributed by employers for employees' annuities representing covered wages of approximately \$280,587.

E. Subsequent Events

State General Fund Shortfall

On November 26, 2002, Governor Graves announced a plan for eliminating the \$312.1 million State General Fund deficit for fiscal year 2003. The plan calls for an immediate \$78.1 million or 3.9% across the board cut in most state agency budgets, excluding K-12 education and the Legislative and Judicial Branches of government. In addition, the balance of remaining demand transfers to local units of government would be eliminated saving an additional \$48.0 million. His plan also calls for the State Legislature to transfer \$35.1 million in special revenue fund balances to the State General Fund and for the Legislature to rescind legislation requiring repayment of a \$94.6 million loan from the State Highway Fund. The remaining \$56.3 million is comprised of requested supplemental appropriations for school finance aid and for caseload increases in the Department of Social and Rehabilitation Services and the Department on Aging. The Governor's plan calls for the Legislature to either eliminate this supplemental funding or to find a method for financing it.

Bonds and Notes

Short-term Debt

Certificate of Indebtedness – In July 2002, The Pooled Money Investment Board (PMIB) issued a \$450,000,000 Certificate of Indebtedness per K.S.A. 75-3725a, subject to redemption not later than June 30, 2003. See Section G, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

Long-term Debt

Revenue Bonds – In August 2002, The Kansas Development Finance Authority (KDFA) issued \$ 3.8 million of Series 2002H lease revenue bonds. The bond proceeds will be used for capital improvement projects for the Kansas Department of Human Resources. Interest rates vary from 2.5 to 4.7 percent, payable May 1 and November 1, beginning May 1, 2003. The bonds mature on May 1 of the years 2003 through 2022.

In August 2002, KDFA issued \$ 33.4 million of Series 2002J lease revenue bonds (\$ 10.8 million Series J-1 and \$ 22.6 million Series J-2). The bond proceeds will be used for capital improvement projects and refunding certain previously issued lease revenue bonds for the State of Kansas – Department of Administration. Interest rates are calculated on a daily rate and paid monthly. The Series J-2 bonds were issued as variable rate debt with a swap agreement creating a synthetic fixed rate bond issue. Interest payments are payable the first business day of each month beginning October 1, 2002. The bonds mature on December 1 of the years 2004 through 2034.

IV. Other Information

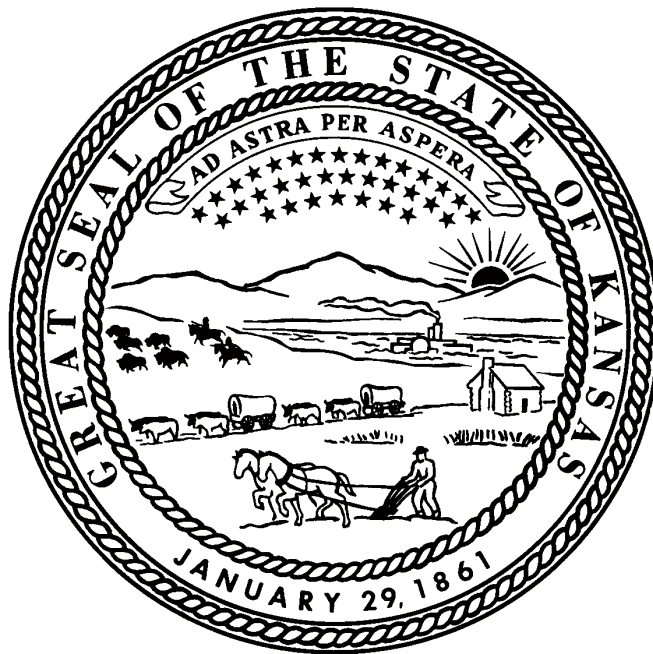
In October 2002, the Kansas Department of Transportation (KDOT) executed three refunding transactions to reduce debt service costs. KDOT issued \$ 199.6 million of Highway Revenue Refunding Bonds, Series 2002A and \$320.0 million of Adjustable Tender Highway Revenue Refunding Bonds, Series 2002 B and Series 2002C under a common plan of finance to advance refund several bonds. The Bonds that were advance refunded were: \$7.0 million of the Highway Revenue Bonds, Series 1992A; \$172.0 million of the Highway Revenue Bonds, Series 1993; \$ 32.9 million of the Highway Revenue Bonds, Series 1994; \$2.6 million of the Highway Revenue Bonds, Series 1994A and \$270.0 million of the Highway Revenue Bonds, Series 1999.

In addition, subsequent to June 30, 2002, KDOT executed an interest rate swap option on \$ 86.9 million of the Highway Revenue Refunding Bonds, Series 1993A. The counter-party to this interest rate swap exercised its option, and accordingly, KDOT will issue approximately \$ 87.2 million of Adjustable Tender Highway Revenue Refunding Bonds, Series 2002D during December 2002 to effect a current refunding of the Series 1993A Bonds.

In November 2002, KDFA issued \$ 5.1 million of Series 2002K revenue bonds. The bond proceeds will be used for a capital improvement project on the Edwards Campus of the University of Kansas. Interest rates vary from 4.3 to 5.0 percent, payable June 1 and December 1, beginning June 1, 2003. The bonds mature on December 1 of the years 2010 through 2022.

In November 2002, KDFA issued \$ 12.2 million of Series 2002P refunding revenue bonds. The bond proceeds will be used to refund in advance of maturity all of the outstanding Series F, 1995 bonds used for capital improvement projects for the Kansas Board of Regents – Wichita State University Housing System Renovation Project. Interest rates vary from 3.0 to 5.0 percent, payable June 1 and December 1, beginning June 1, 2003. The bonds mature on June 1 of the years 2004 through 2021.

**REQUIRED
SUPPLEMENTARY
INFORMATION**



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State of Kansas
Required Supplementary Information
June 30, 2002

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget - Positive (Negative)
Revenues and Other Financing Sources:				
Property tax	\$ 19,000	\$ 20,500	\$ 18,068	\$ -2,432
Income and inheritance tax	2,361,000	2,184,000	1,999,571	-184,429
State sales tax	1,470,000	1,485,000	1,470,606	-14,394
Consumer's and retailer's compensating tax	236,000	255,000	233,604	-21,396
Tobacco and liquor taxes	112,000	114,800	113,393	-1,407
Severance taxes	96,700	54,800	55,680	880
Insurance premiums taxes	62,000	71,150	84,950	13,800
Other taxes	20,500	20,900	20,939	39
Investment earnings	61,000	38,500	39,108	608
Transfers	4,589	-89,200	21,865	111,065
Charges for services, other revenues & financing sources	41,600	51,400	51,094	-306
Total revenues and other financing sources	<u>4,484,389</u>	<u>4,206,850</u>	<u>4,108,878</u>	<u>-97,972</u>
Expenditures and Other Financing Uses:				
Current:				
General government	195,013	194,541	188,102	6,439
Human resources	765,727	756,758	748,756	8,002
Education	3,019,108	3,034,010	3,022,601	11,409
Public safety	317,597	318,376	316,777	1,599
Agriculture and natural resources	17,554	17,500	17,306	194
Health and environment	32,144	32,443	32,243	200
Demand transfers	165,100	167,017	140,277	26,740
Total expenditures and other financing uses	<u>4,512,243</u>	<u>4,520,645</u>	<u>4,466,062</u>	<u>54,583</u>
Excess of revenues over (under) expenditures	<u>\$ -27,854</u>	<u>\$ -313,795</u>	<u>\$ -357,184</u>	<u>\$ -43,389</u>
Fund balances, beginning of year	365,681	365,681	365,681	
Adjustment for released encumbrances	0	0	3,567	
Fund balances, end of year	<u><u>\$ 337,827</u></u>	<u><u>\$ 51,886</u></u>	<u><u>\$ 12,064</u></u>	

State of Kansas
Required Supplementary Information
June 30, 2002

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual – Social and Rehabilitation Services Fund
--

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget - Positive (Negative)
Revenues and Other Financing Sources:				
Tobacco & liquor taxes	\$ 1,960	\$ 1,960	\$ 2,028	\$ 68
Operating grants	1,458,382	1,458,382	1,484,681	26,299
Transfers	74,667	74,667	167,610	92,943
Charges for services, other revenues & financing sources	103,368	103,368	98,671	-4,697
Total revenues and other financing sources	<u>1,638,377</u>	<u>1,638,377</u>	<u>1,752,990</u>	<u>114,613</u>
Expenditures and Other Financing Uses:				
Current:				
Human resources	1,324,699	1,324,699	1,747,508	-422,809
Total expenditures and other financing uses	<u>1,324,699</u>	<u>1,324,699</u>	<u>1,747,508</u>	<u>-422,809</u>
Excess of revenues over (under) expenditures	<u>\$ 313,678</u>	<u>\$ 313,678</u>	<u>\$ 5,482</u>	<u>\$ -308,196</u>

State of Kansas
Required Supplementary Information
June 30, 2002

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual Transportation Fund
--

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget - Positive (Negative)
Revenues and Other Financing Sources:				
Motor fuel taxes	\$ 239,425	\$ 229,631	\$ 228,474	\$ -1,157
Vehicle registrations and permits	146,123	139,408	140,681	1,273
Intergovernmental	299,627	294,203	371,677	77,474
Sales and use taxes	95,215	93,548	91,611	-1,937
Investment earnings	43,391	31,522	55,899	24,377
Other	3,992	4,157	4,981	824
Transfers from other state funds	124,841	98,537	97,879	-658
Transfers in	255,000	0	23	23
Total revenues and other financing sources	<u>1,207,614</u>	<u>891,006</u>	<u>991,225</u>	<u>100,219</u>
Expenditures and Other Financing Uses:				
Current operating:				
Maintenance	271,610	267,637	246,996	20,641
Construction	56,660	57,097	55,101	1,996
Local support	14,705	15,061	14,044	1,017
Management	48,178	51,922	48,963	2,959
Capital improvements	650,870	677,390	511,230	166,160
Transfers to other state funds	41,023	141,156	142,847	-1,691
Transfers out	134,336	139,368	125,551	13,817
Total expenditures and other financing uses	<u>1,217,382</u>	<u>1,349,631</u>	<u>1,144,732</u>	<u>204,899</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -9,768</u>	<u>\$ -458,625</u>	<u>\$ -153,507</u>	<u>\$ 305,118</u>

State of Kansas
Required Supplementary Information
June 30, 2002

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budgets and Actual Transportation - Capital Projects Fund
--

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget - Positive (Negative)
Revenues and Other Financing Sources:				
Investment earnings	\$ 9,854	\$ 6,519	\$ 74	\$ -6,445
Revenue bond proceeds	322,104	599,166	0	-599,166
Total revenues and other financing sources	<u>331,958</u>	<u>605,685</u>	<u>74</u>	<u>-605,611</u>
Expenditures and Other Financing Uses:				
Transfers out	265,860	401,768	74	401,694
Total expenditures and other financing uses	<u>265,860</u>	<u>401,768</u>	<u>74</u>	<u>401,694</u>
 Excess of revenues over (under) expenditures	 <u>\$ 66,098</u>	 <u>\$ 203,917</u>	 <u>\$ 0</u>	 <u>\$ -203,917</u>

State of Kansas
Required Supplementary Information
June 30, 2002

Kansas Public Employees Retirement System Schedule of Funding Progress

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a)/c]
6/30/1993	(1)	\$ 4,492,542	\$5,460,281	\$ 967,739	82%	\$ 3,265,869	30%
6/30/1994	(2)	5,041,703	6,546,924	1,505,221	77%	3,487,462	43%
6/30/1995		5,510,957	6,991,029	1,480,072	79%	3,766,917	39%
6/30/1996		6,158,755	7,603,111	1,444,356	81%	3,945,207	37%
6/30/1997		6,875,918	8,251,986	1,376,068	83%	4,108,320	33%
6/30/1998		7,749,203	9,340,685	1,591,482	83%	4,273,627	37%
6/30/1999		8,601,876	9,999,246	1,397,370	86%	4,480,717	31%
6/30/2000		9,568,275	10,801,397	1,233,122	89%	4,684,768	26%
12/31/2000	(3)	9,835,182	11,140,014	1,304,832	88%	4,876,555	27%
12/31/2001		9,962,918	11,743,052	1,780,134	85%	5,116,384	35%

- (1) 1993 legislation passed substantial benefit enhancements and changed the actuarial cost method of the KPERS system from the frozen initial liability method to the projected unit cost method. The amortization period was also adjusted to a 40-year period beginning July 1, 1993.
- (2) Asset valuation method was changed from book value to a market-based method.
- (3) The actuarial valuation date was changed to a calendar year basis.

State of Kansas
Required Supplementary Information
June 30, 2002

Kansas Public Employees Retirement System Schedule of Employer Contributions

For the Fiscal Year Ended June 30, 2002

Year Ended June 30,	Annual Required Contribution	Percentage Contribution
1993	\$ 116,407,549	100.0%
1994	117,581,812	100.0%
1995	129,083,585	100.2%
1996 ⁽¹⁾	173,927,737	82.5%
1997	199,521,423	74.7%
1998	216,270,482	77.3%
1999	256,813,541	79.0%
2000	234,941,116	80.6%
2001	277,096,692	77.6%
2002	289,519,647	79.7%

- (1) For fiscal years ending June 30, 1996 and after, the actual contributions for KPERS employers were substantially lower than the actuarially required amount, due to statutory limitations on annual increases.

Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting

For the Fiscal Year Ended June 30, 2002

Following is the information needed to support the use of the modified approach for infrastructure reporting:

Roadways

The highways in the state are made up of two systems: Interstate Highways and Non-interstate Highways. The condition of these systems is assessed annually using a Pavement Management System that measures the condition of the pavement surface to classify the roads into the following three performance levels:

PL-1 Roadway surface is in good condition and needs only routine or light preventative maintenance.

PL-2 Roadway surface needs at least routine maintenance.

PL-3 Roadway surface is in poor condition and needs significant work.

While the Department has goals to maintain these systems at higher levels, minimum acceptable condition levels have been defined as having at least 80 percent of the interstate miles in PL-1 and at least 75 percent of the non-interstate miles in PL-1. The latest evaluation indicates that 97 percent of the interstate and 91 percent of non-interstate miles are in PL-1.

To maintain the Interstate Highways at or above the state minimum condition level it is estimated that annual preservation and maintenance expenditures must exceed \$110 million annually. To maintain the Non-interstate Highways at or above the state minimum condition level it is estimated that annual preservation and maintenance expenditures must exceed \$260 million. The Department's goal is to continually improve the condition of the State Highway System. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. In fiscal year 2002, preservation and maintenance expenditures were \$170 million for Interstate Highways and \$307 million for Non-interstate Highways.

Bridges

The condition of the bridge system in the state is assessed annually using the Pontis Bridge Management System. This system evaluates the condition of several elements (decks, girders, floor beams, columns etc.) within each bridge using a rating scale of 1 to 5. These element ratings are weighted and aggregated to establish a health index of 0 to 100 for each bridge which, in turn, is aggregated to establish a health index for the entire system.

The goal of the Department is to maintain the bridge system at a higher level, but has defined an overall state-wide health index of 80 as the minimum acceptable condition level. The latest evaluation indicates that the overall health index of bridges in the state was at 91.

To maintain the state's bridges at or above the state minimum condition level it is estimated that annual preservation and maintenance expenditures must exceed \$75 million annually. The Department's goal is to continually improve the condition of the state's bridges system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. In fiscal year 2002, preservation and maintenance expenditures were \$74 million.

State of Kansas
Required Supplementary Information
June 30, 2002

Notes to Required Supplementary Information - Budgetary Information
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For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Budgetary information

Annual budgets are adopted on a cash basis with encumbrance modifications for all governmental funds. Appropriations may be re-appropriated if the balance is greater than \$100, or lapsed at fiscal year end.

On or before October 1 agencies are required to submit annually or biennially budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the legislature on or before the 21st calendar day of that regular session.

The state maintains budgetary restrictions and controls, imposed through annual appropriations and limitations, approved by the Legislature. Agency, fund, and budget unit usually establish the level of budgetary control in the central accounting system. Budgetary control is maintained by mechanisms in the accounting system, which prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and as reserved fund balances in the governmental financial statements in this report. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the budget unit level. The supplemental budgetary appropriations made in the General Fund were not material. Due to the volume of data, the detailed budget information at the budget unit level is available in a separate report.

State of Kansas
Required Supplementary Information
June 30, 2002

Notes to Required Supplementary Information – Reconciling Budgetary to GAAP State General Fund

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the State General Fund

	State General Fund
Total net change in fund balance from the schedule:	\$ -357,184
Adjustment for encumbrances. The budgetary schedule includes current budget fiscal year encumbrances as expenditures.	125,753
Adjustment to exclude prior budget fiscal year expenditures. The budgetary schedule includes only current budget year expenditures and encumbrances.	-28,505
Adjustment for imprest funds.	4
Adjustment to report pooled investments at fair value.	-16,475
Accruals for accounts payable.	-200,459
Change in accruals for salaries payable	2,764
Adjustment to record inventory	-744
Change for accrued revenues	-5,173
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ -480,019</u>

State of Kansas
Required Supplementary Information
June 30, 2002

Notes to Required Supplementary Information – Reconciling Budgetary to GAAP Social and Rehabilitation Services Fund
--

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Social and Rehabilitation Services Fund	
<hr/>	
Total net change in fund balance from the schedule:	\$ 5,482
Adjustment for encumbrances. The budgetary schedule includes current budget fiscal year encumbrances as expenditures.	22,698
Adjustment to exclude prior budget fiscal year expenditures. The budgetary schedule includes only current budget year expenditures and encumbrances.	-20,552
Outlawed warrants treated as revenue for governmental fund statements	186
Accruals for accounts payable.	1,729
Change in accruals for salaries payable	2,606
Change for accrued revenues	-2
Funds excluded from SRS Budgetary statement because they are not budgeted	-12,444
<hr/>	
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u><u>\$ -297</u></u>

State of Kansas
Required Supplementary Information
June 30, 2002

Notes to Required Supplementary Information – Reconciling Budgetary to GAAP Transportation Fund
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For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

	<u>Transportation Fund</u>
Excess of Revenues and other financing sources over (under) expenditures and other financing uses	\$ -153,507
Adjustment for encumbrances. The budgetary schedule includes current budget fiscal year encumbrances as expenditures.	481,526
Adjustment to exclude prior budget fiscal year expenditures. The budgetary schedule includes only current budget year expenditures and encumbrances.	-507,388
Budgetary basis revenues and transfers from other state funds have been adjusted for GAAP basis	19,785
Budgetary expenditures and transfers to other state funds have been adjusted for GAAP basis	92,916
	<hr/>
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u><u>\$ -66,668</u></u>

State of Kansas
Required Supplementary Information
June 30, 2002

Notes to Required Supplementary Information – Reconciling Budgetary to GAAP Transportation Capital Projects Fund

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Reconciliation of the Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

	<u>Transportation Capital Projects Fund</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses – budgetary basis	\$ 0
Budgetary basis revenues and transfers from other state funds have been adjusted for GAAP basis	-72
Budgetary operating transfers have been adjusted for GAAP basis	-1,959
	<hr/>
Change in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u><u>\$ -2,031</u></u>

State of Kansas
Required Supplementary Information
June 30, 2002

Notes to Required Supplementary Information – Kansas Public Employees Retirement System Actuarial Valuation
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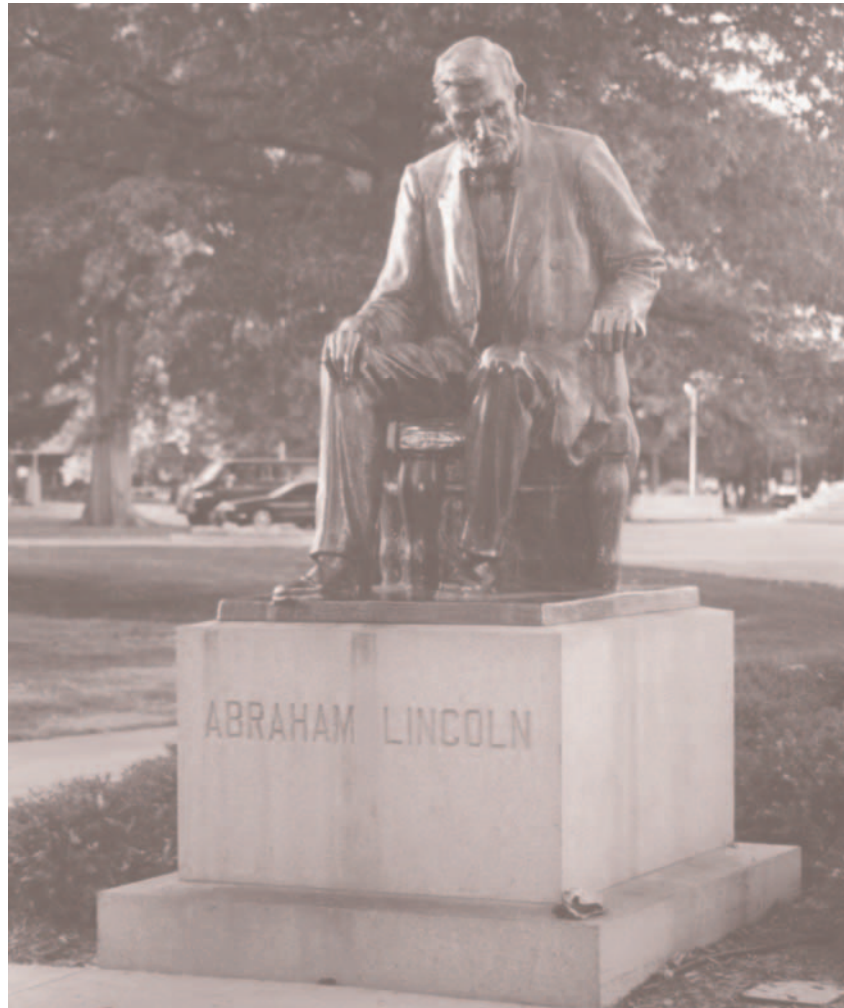
For the Fiscal Year Ended June 30, 2002

The information presented in the required supplemental schedule was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

	KPERs	KP&F	Judges
Valuation date	12/31/2001	12/31/2001	12/31/2001
Actuarial cost method	Projected unit credit	Aggregate cost with supplemental liabilities ⁽²⁾	Frozen initial Liability
Amortization method	Level percent closed	Level percent closed	Level dollar closed
Remaining amortization period	31 years	31 years	31 years
Asset valuation method	Expected value plus 1/3 of difference between market and expected	Expected value plus 1/3 of difference between market and expected	Expected value plus 1/3 of difference between market and expected
Actuarial assumptions:			
Investment rate of return ⁽¹⁾	8%	8%	8%
Projected salary increases ⁽¹⁾	4.0 – 9.8%	4.0 – 12.5%	5.5%
Cost of living adjustments	None	None	None

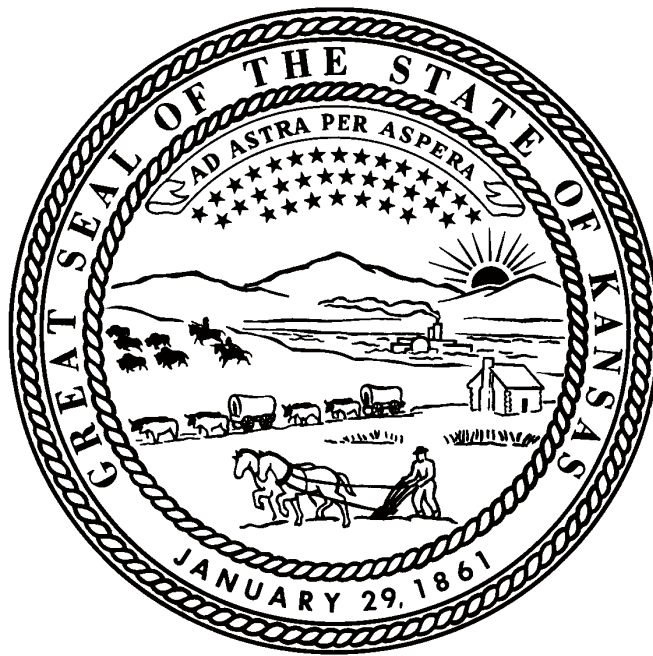
(1) Salary increases and investment rate of return include an inflation component of 3.5%.

(2) The aggregate cost method used for KP&F does not directly calculate an unfunded actuarial liability each year. A supplemental liability consisting of the additional actuarial liability for benefits provided by 1993 legislation was established in 1993 and was “frozen”. Changes to the unfunded actuarial liability after 1993 reflected only scheduled amortization payments, changes in benefit provisions and assumption changes. As the result of favorable experience from 1993 to 2000 and a change in the actuarial assumptions resulting from the 2001 Experience Study, the supplemental liability was reestablished. The actuarial value of assets exceeds the actuarial liability so the supplemental liability was set to zero. The remaining unfunded actuarial liability amortization bases were established as a result of the 1998 COLA and are being amortized over a 15-year period, beginning in 2000.



Abraham Lincoln Statue on Capitol Grounds

**OTHER
SUPPLEMENTARY
INFORMATION**



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Listing of Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

State Regulatory Boards and Commissions
Correctional Facilities
Tobacco Settlement for Children's Initiative
Adjutant General
Aging
Agriculture
Attorney General
Administration
Health and Environment
Highway Patrol
Historical Society
Human Resources
Commerce and Housing
Insurance
Judicial
State Library
Revenue
Education
Secretary of State
State Treasurer
Wildlife and Parks
Executive
Legislative
Transportation – Special Revenue
State Water Plan

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

State Buildings
Capitol Complex Buildings
Master Lease Program
Corrections
Armories
KBI Buildings
Public Broadcasting Digital
Vital Statistics Project
Highway Patrol
Human Resources

Debt Service Funds

Bond and Interest
Highway Debt Service

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Balance Sheet – Governmental Nonmajor Funds
--

June 30, 2002
(Expressed in Thousands)

Special Revenue Funds					
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General	Aging
ASSETS					
Cash and cash equivalents	\$ 39,357	\$ 15,301	\$ 16,489	\$ 2,955	\$ 11,309
Investments	13,764	0	0	0	43,488
Receivables, net	154	0	0	0	69
Due from other funds	0	200	0	0	0
Inventories	0	0	0	0	0
Other assets	466	0	0	0	0
Total assets	53,741	15,501	16,489	2,955	54,866
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	7,375	5,176	1,192	3,073	3,614
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Total liabilities	7,375	5,176	1,192	3,073	3,614
Fund balances:					
Reserved for inventory	0	0	0	0	0
Reserved for encumbrances	6,837	5,013	2,813	4,733	698
Unreserved	39,529	5,312	12,484	-4,851	50,554
Total fund balance	46,366	10,325	15,297	-118	51,252
Total liabilities and fund balance	\$ 53,741	\$ 15,501	\$ 16,489	\$ 2,955	\$ 54,866

Special Revenue Funds

Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol	Historical Society	Human Resources
\$ 5,502	\$ 4,400	\$ 13,174	\$ 48,889	\$ 10,686	\$ 3,462	\$ 4,935
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>5,502</u>	<u>4,400</u>	<u>13,174</u>	<u>48,889</u>	<u>10,686</u>	<u>3,462</u>	<u>4,935</u>
542	2,090	1,256	11,643	4,077	367	4,358
0	0	0	0	0	0	0
0	0	0	5	0	0	0
<u>542</u>	<u>2,090</u>	<u>1,256</u>	<u>11,643</u>	<u>4,077</u>	<u>367</u>	<u>4,358</u>
0	0	0	0	0	0	0
406	733	1,452	26,797	2,931	297	1,950
<u>4,554</u>	<u>1,577</u>	<u>10,466</u>	<u>10,449</u>	<u>3,678</u>	<u>2,798</u>	<u>-1,373</u>
<u>4,960</u>	<u>2,310</u>	<u>11,918</u>	<u>37,246</u>	<u>6,609</u>	<u>3,095</u>	<u>577</u>
\$ 5,502	\$ 4,400	\$ 13,174	\$ 48,889	\$ 10,686	\$ 3,462	\$ 4,935

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Balance Sheet – Governmental Nonmajor Funds Continued
--

June 30, 2002
(Expressed in Thousands)

	Special Revenue Funds				
	Commerce and Housing	Insurance	Judicial	State Library	Revenue
ASSETS					
Cash and cash equivalents	\$ 35,834	\$ 12,218	\$ 6,869	\$ 114	\$ 7,483
Investments	34,694	0	0	0	0
Receivables, net	221	0	0	0	26
Due from other funds	3,400	0	0	0	0
Inventories	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	74,149	12,218	6,869	114	7,509
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	4,389	7,087	1,222	88	2,422
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	3
Total liabilities	4,389	7,087	1,222	88	2,425
Fund balances:					
Reserved for inventory	0	0	0	0	0
Reserved for encumbrances	15,866	198	24	0	2,871
Unreserved	53,894	4,933	5,623	26	2,213
Total fund balance	69,760	5,131	5,647	26	5,084
Total liabilities and fund balance	\$ 74,149	\$ 12,218	\$ 6,869	\$ 114	\$ 7,509

Special Revenue Funds

Education	Secretary of State	State Treasurer	Wildlife and Parks	Executive	Legislative	Transportation- special revenue	State Water Plan
\$ 7,786	\$ 529	\$ 2,109	\$ 25,522	\$ 23	\$ 96	\$ 11,532	\$ 11,341
0	0	0	0	0	0	0	0
0	0	0	0	0	0	2,447	2,676
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<u>7,786</u>	<u>529</u>	<u>2,109</u>	<u>25,522</u>	<u>23</u>	<u>96</u>	<u>13,979</u>	<u>14,017</u>
1,995	197	37,555	6,127	0	0	955	2,322
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,494
<u>1,995</u>	<u>197</u>	<u>37,555</u>	<u>6,127</u>	<u>0</u>	<u>0</u>	<u>955</u>	<u>3,816</u>
0	0	0	0	0	0	0	0
1,493	55	67	3,180	0	0	7,051	7,290
4,298	277	-35,513	16,215	23	96	5,973	2,911
<u>5,791</u>	<u>332</u>	<u>-35,446</u>	<u>19,395</u>	<u>23</u>	<u>96</u>	<u>13,024</u>	<u>10,201</u>
\$ 7,786	\$ 529	\$ 2,109	\$ 25,522	\$ 23	\$ 96	\$ 13,979	\$ 14,017

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Balance Sheet – Governmental Nonmajor Funds Continued
--

June 30, 2002
(Expressed in Thousands)

	Capital Project Funds			
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections
ASSETS				
Cash and cash equivalents	37,666	\$ 15,691	\$ 3,288	\$ 0
Investments	0	34,922	0	40,465
Receivables, net	0	502	0	567
Due from other funds	400	0	0	0
Inventories	0	0	0	0
Other assets and other liabilities	0	9,990	0	784
Total assets	38,066	61,105	3,288	41,816
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	4,366	4,383	857	5,933
Due to other funds	0	0	0	0
Deferred revenue	0	0	0	0
Total liabilities	4,366	4,383	857	5,933
Fund Balances:				
Reserved for inventory	0	0	0	0
Reserved for encumbrances	9,956	8,096	6,266	29,998
Unreserved	23,744	48,626	-3,834	5,885
Total fund balance	33,700	56,722	2,432	35,883
Total liabilities and fund balance	\$ 38,066	\$ 61,105	\$ 3,288	\$ 41,816

Capital Project Funds

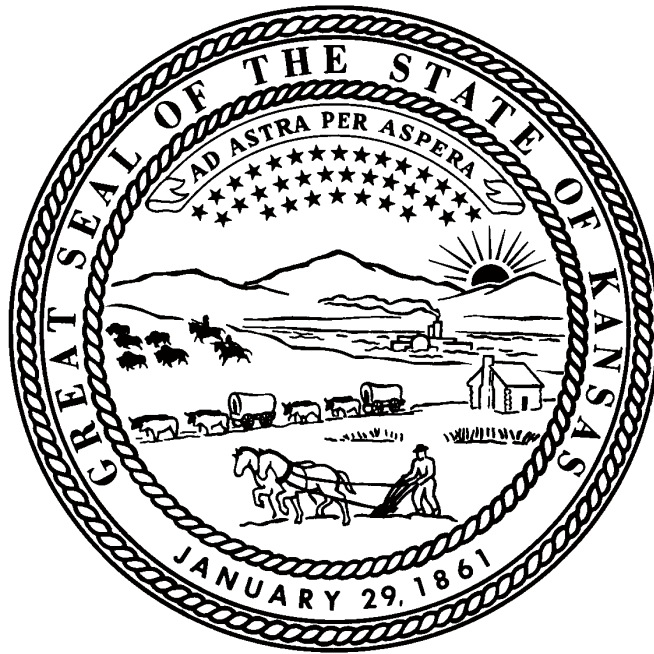
Armories	KBI Buildings	Public Broadcasting Digital	Vital Statistics Project	Highway Patrol	Human Resources
\$ 0	\$ 258	\$ 0	\$ 0	\$ 4,152	\$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,966	0	5,333	3,173	0	13
<u>1,966</u>	<u>258</u>	<u>5,333</u>	<u>3,173</u>	<u>4,152</u>	<u>13</u>
194	0	281	173	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>194</u>	<u>0</u>	<u>281</u>	<u>173</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
346	0	0	51	0	0
1,426	258	5,052	2,949	4,152	13
<u>1,772</u>	<u>258</u>	<u>5,052</u>	<u>3,000</u>	<u>4,152</u>	<u>13</u>
<u>\$ 1,966</u>	<u>\$ 258</u>	<u>\$ 5,333</u>	<u>\$ 3,173</u>	<u>\$ 4,152</u>	<u>\$ 13</u>

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Balance Sheet – Governmental Nonmajor Funds Concluded
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June 30, 2002
(Expressed in Thousands)

	Debt Service Funds		
	Bond and Interest	Highway Debt Service	Total Nonmajor Governmental
ASSETS			
Cash and cash equivalents	\$ 0	\$ 0	\$ 358,970
Investments	1,065	0	168,398
Receivables, net	28	63	6,753
Due from other funds	0	261	4,261
Inventories	0	0	0
Other assets	484	47,083	69,292
	<hr/>	<hr/>	<hr/>
Total assets	<u>1,577</u>	<u>47,407</u>	<u>607,674</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other liabilities	0	222	125,530
Due to other funds	0	0	0
Deferred revenue	0	0	1,497
Total liabilities	<hr/> 0	<hr/> 222	<hr/> 127,027
Fund balances:			
Reserved for debt service	0	46,819	46,819
Reserved for inventory	0	0	0
Reserved for encumbrances	0	366	147,834
Unreserved	1,577	0	285,994
Total fund balance	<hr/> 1,577	<hr/> 47,185	<hr/> 480,647
Total liabilities and fund balance	<u>\$ 1,577</u>	<u>\$ 47,407</u>	<u>\$ 607,674</u>



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State of Kansas
Other Supplementary Information
June 30, 2002

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Nonmajor Funds

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Special Revenue Funds			
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initiative	Adjutant General
Revenues:				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	0	0	0	0
Sales excise tax	40	0	0	0
Gross receipts tax	7,964	0	0	0
Charges for services	51,297	13,876	60,999	13
Operating grants	12,330	12,018	0	59,327
Capital grants	0	0	0	0
Investment earnings	0	0	0	0
Other revenues	3,899	4,429	26	130
Total revenues	75,530	30,323	61,025	59,470
Expenditures:				
Current:				
General governmental	39,604	0	0	0
Human resources	9,665	0	19,260	0
Education	377	0	7,725	0
Public safety	6,395	33,257	8,008	59,155
Agriculture and natural resources	13,444	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	1,159	0
Debt service:				
Principal	0	310	0	0
Interest	0	368	0	0
Total expenditures	69,485	33,935	36,152	59,155
Excess of revenues over (under) expenditures	6,045	-3,612	24,873	315
Other financing sources (uses):				
Proceeds from sale of debt	17,724	5,282	0	0
Transfers, net	-10,386	4,307	-16,713	-82
Other financing sources (uses)	0	-5,218	0	0
Total other financing sources (uses)	7,338	4,371	-16,713	-82
Net change in fund balances	13,383	759	8,160	233
Fund balances, beginning of year	32,983	9,566	7,137	-351
Fund balances, end of year	\$ 46,366	\$ 10,325	\$ 15,297	\$ -118

Special Revenue Funds

Aging	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol	Historical Society	Human Resources
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0
0	0	0	0	864	2,456	1,000	0
0	0	0	0	1,206	0	0	0
6,669	5,176	5,445	3,373	17,974	7,710	636	2,906
12,004	3,017	13,447	261	77,910	5,115	633	54,655
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
178	421	995	19,213	21,904	191	102	9,829
<u>18,851</u>	<u>8,614</u>	<u>19,887</u>	<u>22,847</u>	<u>119,858</u>	<u>15,472</u>	<u>2,371</u>	<u>67,390</u>
0	0	15,795	23,784	0	0	0	-2
392,749	0	0	161	0	0	-1	68,243
0	0	0	20	0	0	2,355	0
0	0	8,374	0	0	27,331	0	0
0	7,663	0	404	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	128,476	0	0	0
0	0	0	2,685	0	0	0	0
0	0	0	524	0	0	0	0
<u>392,749</u>	<u>7,663</u>	<u>24,169</u>	<u>27,578</u>	<u>128,476</u>	<u>27,331</u>	<u>2,354</u>	<u>68,241</u>
<u>-373,898</u>	<u>951</u>	<u>-4,282</u>	<u>-4,731</u>	<u>-8,618</u>	<u>-11,859</u>	<u>17</u>	<u>-851</u>
0	0	0	2,061	0	0	0	0
355,689	-3	3,143	-3,249	2,102	8,878	213	929
0	0	0	0	0	0	0	0
<u>355,689</u>	<u>-3</u>	<u>3,143</u>	<u>-1,188</u>	<u>2,102</u>	<u>8,878</u>	<u>213</u>	<u>929</u>
-18,209	948	-1,139	-5,919	-6,516	-2,981	230	78
69,461	4,012	3,449	17,837	43,762	9,590	2,865	499
<u>\$ 51,252</u>	<u>\$ 4,960</u>	<u>\$ 2,310</u>	<u>\$ 11,918</u>	<u>\$ 37,246</u>	<u>\$ 6,609</u>	<u>\$ 3,095</u>	<u>\$ 577</u>

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Nonmajor Funds Continued

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Special Revenue Funds			
	Commerce and Housing	Insurance	Judicial	State Library
Revenues:				
Property tax	\$ 0	\$ 0	\$ 0	\$ 0
Income and inheritance tax	9,947	0	0	0
Sales excise tax	0	0	0	0
Gross receipts tax	0	7,774	0	0
Charges for services	2,990	7,302	8,809	25
Operating grants	58,864	809	127	1,564
Capital grants	0	0	0	0
Investment earnings	0	0	0	0
Other revenues	8,835	1,145	1,662	2
Total revenues	80,636	17,030	10,598	1,591
Expenditures:				
Current:				
General government	110,768	15,258	10,774	0
Human resources	0	0	0	0
Education	7	0	0	1,350
Public safety	250	0	0	0
Agriculture and natural resources	0	0	0	0
Highways and other transportation	0	0	0	0
Health and environment	0	0	0	0
Debt service:				
Principal	7,560	0	0	0
Interest	2,873	0	0	0
Total expenditures	121,458	15,258	10,774	1,350
Excess of revenues over (under) expenditures	-40,822	1,772	-176	241
Other financing sources (uses):				
Proceeds from sale of debt	33,520	0	0	0
Transfers, net	26,652	-1,088	452	-87
Other financing sources (uses)	0	0	0	0
Total other financing sources (uses)	60,172	-1,088	452	-87
Net change in fund balances	19,350	684	276	154
Fund balances, beginning of year	50,410	4,447	5,371	-128
Fund balances, end of year	\$ 69,760	\$ 5,131	\$ 5,647	\$ 26

Special Revenue Funds

Revenue	Education	Secretary of State	State Treasurer	Wildlife And Parks	Executive	Legislative	Transportation- special revenue	State Water Plan
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0	0
4,820	0	0	0	758	0	0	0	0
228	0	0	0	0	0	0	0	0
6,991	2,253	1,774	935	23,823	0	73	415	3,933
22	289,082	0	2,485	9,518	0	0	188	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	20,395	0	4,778	139	0	29	0	5,454
<u>12,061</u>	<u>311,730</u>	<u>1,774</u>	<u>8,198</u>	<u>34,238</u>	<u>0</u>	<u>102</u>	<u>603</u>	<u>9,387</u>
49,819	0	1,648	14,286	0	-5	100	0	0
0	0	0	0	0	0	0	0	0
0	308,925	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	38,426	0	0	0	13,612
0	0	0	0	0	0	0	13,266	0
0	0	0	0	0	0	0	0	4,189
0	0	0	0	0	0	0	0	187
0	0	0	0	0	0	0	0	73
<u>49,819</u>	<u>308,925</u>	<u>1,648</u>	<u>14,286</u>	<u>38,426</u>	<u>-5</u>	<u>100</u>	<u>13,266</u>	<u>18,061</u>
<u>-37,758</u>	<u>2,805</u>	<u>126</u>	<u>-6,088</u>	<u>-4,188</u>	<u>5</u>	<u>2</u>	<u>-12,663</u>	<u>-8,674</u>
0	0	0	0	0	0	0	0	0
37,766	-2,260	81	2,053	2,688	-31	0	12,000	7,534
0	0	0	0	0	0	0	0	0
<u>37,766</u>	<u>-2,260</u>	<u>81</u>	<u>2,053</u>	<u>2,688</u>	<u>-31</u>	<u>0</u>	<u>12,000</u>	<u>7,534</u>
8	545	207	-4,035	-1,500	-26	2	-663	-1,140
<u>5,076</u>	<u>5,246</u>	<u>125</u>	<u>-31,412</u>	<u>20,895</u>	<u>49</u>	<u>94</u>	<u>13,687</u>	<u>11,341</u>
<u>\$ 5,084</u>	<u>5,791</u>	<u>\$ 332</u>	<u>\$ -35,447</u>	<u>\$19,395</u>	<u>\$ 23</u>	<u>\$ 96</u>	<u>\$ 13,024</u>	<u>\$ 10,201</u>

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Nonmajor Funds Continued

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Capital Project Funds		
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program
Revenues:			
Property tax	\$ 36,508	\$ 0	\$ 0
Income and inheritance tax	0	0	0
Sales excise tax	0	0	0
Gross receipts tax	0	0	0
Charges for services	0	1,149	0
Operating grants	0	1,746	0
Capital grants	0	0	0
Investment earnings	0	0	0
Other revenues	0	0	5,589
Total revenues	36,508	2,895	5,589
Expenditures:			
Current:			
General government	0	10,645	12,328
Human resources	7,878	0	0
Education	-13,519	0	0
Public safety	7,074	0	0
Agriculture and natural resources	0	0	0
Highways and other transportation	0	0	0
Health and environment	0	0	0
Debt service:			
Principal	0	650	3,394
Interest	0	2,308	739
Total expenditures	1,433	13,603	16,461
Excess of revenues sources (under) expenditures	35,075	-10,708	-10,872
Other financing sources (uses):			
Proceeds from sale of debt	0	50,625	12,731
Transfers, net	-38,856	151	-564
Other financing sources (uses)	0	0	0
Total other financing sources (uses)	-38,856	50,776	12,167
Net change in fund balances	-3,781	40,068	1,295
Fund balances, beginning of year	37,481	16,654	1,137
Fund balances, end of year	\$ 33,700	\$ 56,722	\$ 2,432

Capital Project Funds

<u>Corrections</u>	<u>Pooled Funds</u>	<u>School District</u>	<u>Armories</u>	<u>KBI Buildings</u>	<u>Public Broadcasting Digital</u>	<u>Vital Statistics Project</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
183	0	0	146	0	0	0
3,248	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
1	0	0	0	0	0	0
<u>3,432</u>	<u>0</u>	<u>0</u>	<u>146</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	220	0	0	0	989	0
0	0	0	0	0	0	0
0	0	40,007	0	0	0	0
22,028	0	0	1,716	35	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	486
9,485	100	0	100	0	315	-1
5,627	24	0	86	0	200	-3
<u>37,140</u>	<u>344</u>	<u>40,007</u>	<u>1,902</u>	<u>35</u>	<u>1,504</u>	<u>482</u>
<u>-33,708</u>	<u>-344</u>	<u>-40,007</u>	<u>-1,756</u>	<u>-35</u>	<u>-1,504</u>	<u>-482</u>
19,890	1,055	0	2,035	0	5,794	3,444
15,547	122	40,007	57	293	518	38
-22,409	-833	0	0	0	0	0
<u>13,028</u>	<u>344</u>	<u>40,007</u>	<u>2,092</u>	<u>293</u>	<u>6,312</u>	<u>3,482</u>
-20,680	0	0	336	258	4,808	3,000
<u>56,563</u>	<u>0</u>	<u>0</u>	<u>1,436</u>	<u>0</u>	<u>244</u>	<u>0</u>
<u>\$ 35,883</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,772</u>	<u>\$ 258</u>	<u>\$ 5,052</u>	<u>\$ 3,000</u>

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Nonmajor Funds Concluded

For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Capital Project Funds	
	Highway Patrol	Human Resources
Revenues:		
Property tax	\$ 0	\$ 0
Income and inheritance tax	0	0
Sales excise tax	0	0
Gross receipts tax	0	0
Charges for services	0	0
Operating grants	0	0
Capital grants	0	0
Investment earnings	0	0
Other revenues	0	0
Total revenues	0	0
Expenditures:		
Current:		
General government	0	0
Human resources	0	1,719
Education	0	0
Public safety	34	0
Agriculture and natural resources	0	0
Highways and other transportation	0	0
Health and environment	0	0
Debt service:		
Principal	415	0
Interest	66	-10
Total expenditures	515	1,709
Excess of revenues over (under) expenditures	-515	-1,709
Other financing sources (uses):		
Proceeds from sale of debt	7,150	3,424
Transfers, net	555	0
Other financing sources (uses)	-3,038	-1,702
Total other financing sources (uses)	4,667	1,722
Net change in fund balances	4,152	13
Fund balances, beginning of year	0	0
Fund balances end of year	\$ 4,152	\$ 13

Debt Service Funds		
Bond and Interest	Highway Debt Service	Total Nonmajor Governmental
\$ 0	\$ 0	\$ 36,508
0	0	9,947
0	0	9,938
-94	0	17,172
94	969	236,781
0	0	619,433
0	0	0
-10	0	-10
0	0	109,347
-10	969	1,039,116
341	0	306,352
0	0	499,674
0	0	347,247
559	0	174,216
0	0	73,549
0	0	13,266
0	0	134,310
3,565	45,095	73,860
770	69,863	83,508
5,235	114,958	1,705,982
-5,245	-113,989	-666,866
0	0	164,735
887	114,040	563,383
0	0	-33,200
887	114,040	694,918
-4,358	51	28,052
5,935	47,134	452,595
\$ 1,577	\$ 47,185	\$ 480,647

Listing of Nonmajor Proprietary Funds

Proprietary funds focus on the determination of net income, financial position, and cash flows.

Enterprise Funds

Enterprise funds may be used to report any activity for which a fee for goods or services is charged external users. Enterprise funds are (1) required for any activity that operates under laws or regulations that its costs be recovered with fees and charges, rather than with taxes or similar revenues, (2) required for any activity for which management establishes fees, pursuant to its pricing policy, designed to recover its costs of providing services, and (3) required for activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.

Lottery

Intergovernmental Transfer Program

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Statement of Net Assets – Proprietary Nonmajor Funds

June 30, 2002
(Expressed in Thousands)

	Business-Type Activities		
	Lottery	Intergovernmental Transfer Program	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,553	\$ 13,173	\$ 21,726
Investments	0	0	0
Receivables, net	5,413	0	5,413
Inventories	844	0	844
Other assets	0	0	0
Total current assets	14,810	13,173	27,983
Noncurrent assets:			
Investments	0	0	0
Receivables, net:	0	0	0
Capital assets (net of accumulated depreciation)	225	0	225
Infrastructure			
Total noncurrent assets	225	0	225
Total assets	15,035	13,173	28,208
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	6,543	5	6,548
Deferred revenue	0	0	0
Due to other funds	4,000	0	4,000
Short-term portion of long-term liabilities	0	0	0
Total current liabilities	10,543	5	10,548
Noncurrent liabilities:			
Compensated absences	0	0	0
Claims and judgements	0	0	0
Bonds, notes and loans payable	0	0	0
Total noncurrent liabilities	0	0	0
Total liabilities	10,543	5	10,548
NET ASSETS			
Invested in capital assets, net of related debt	225	0	225
Restricted for:			
Capital projects	0	0	0
Debt service	0	0	0
Other purposes	0	0	0
Unrestricted	4,267	13,168	17,435
Total net assets	4,492	13,168	17,660
Total liabilities and net assets	\$ 15,035	\$ 13,173	\$ 28,208

State of Kansas
Other Supplementary Information
June 30, 2002

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Nonmajor Funds
--

For Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Business-Type Activities		
	Lottery	Intergovernmental Transfer Program	Totals
Operating revenues:			
Charges for services	\$ 191,064	\$ 0	\$ 191,064
Other revenue	0	232,216	232,216
Total operating revenues	<u>191,064</u>	<u>232,216</u>	<u>423,280</u>
Operating expenses:			
Personal services	3,579	0	3,579
Supplies and services	29,539	23	29,562
Lottery prize awards	98,963	0	98,963
Depreciation	201	0	201
Insurance claims and expenses	0	0	0
Other expenses	0	92,734	92,734
Total operating expenses	<u>132,282</u>	<u>92,757</u>	<u>225,039</u>
Operating income (loss)	<u>58,782</u>	<u>139,459</u>	<u>198,241</u>
Nonoperating revenues (expenses):			
Operating grants	0	0	0
Capital grants	0	0	0
Investment earnings	0	0	0
Interest expense	0	0	0
Other expenses	0	-2,065	-2,065
Total nonoperating revenues (expenses)	<u>0</u>	<u>-2,065</u>	<u>-2,065</u>
Net income (loss)	<u>58,782</u>	<u>137,394</u>	<u>196,176</u>
Transfers in	-55,204	-134,178	-189,382
Transfers out	0	0	0
Net change in net assets	<u>3,578</u>	<u>3,216</u>	<u>6,794</u>
Total net assets – beginning	914	9,952	10,866
Total net assets - ending	<u>\$ 4,492</u>	<u>\$ 13,168</u>	<u>\$ 17,660</u>

**STATISTICAL
SECTION**



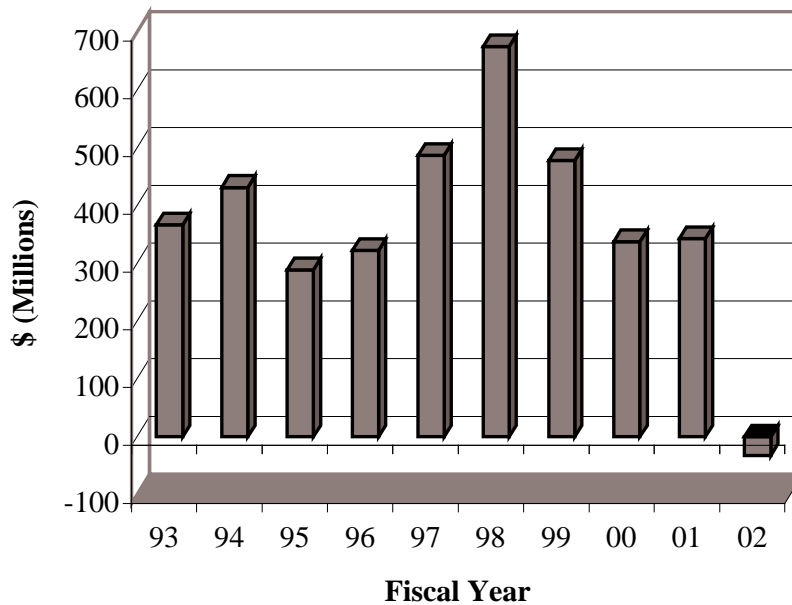
Capitol Dome with Ad Astra

State of Kansas
State General Fund
June 30, 2002

Comparison of Resources Available for Appropriations

	Expressed in Thousands		
	2002	2001	Increase/ (Decrease)
RESOURCES AVAILABLE FOR APPROPRIATIONS			
State Treasury's Balance at June 30	\$ 147,573	\$ 424,089	\$ (276,516)
Less Outstanding Obligations			
Unredeemed Warrants and Vouchers Payable	21,451	21,560	(109)
Unliquidated Encumbrances	130,646	36,964	93,682
Appropriation Balances Reappropriated	27,907	22,783	5,124
Total Outstanding Obligations at June 30	180,004	81,307	98,697
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR			
APPROPRIATIONS AT JUNE 30	\$ -32,431	\$ 342,782	\$ (375,213)

Ten Year Comparison General Fund Balance



State of Kansas
Employment Statistics
June 30, 2002

Major Employers in Kansas

Company Name	City	Employees	Line of Business
Sprint/United Management	Overland Park	20,164	Telecommunications and headquarters
The Boeing Company	Wichita	17,300	Aircraft manufacturing
Cessna Aircraft	Wichita	11,165	Aircraft manufacturing and headquarters
Raytheon Aircraft	Wichita	9,200	Aircraft manufacturing and headquarters
The Kroger Co./Dillon's Food Stores/Quick Shops	Hutchinson, statewide	9,137	Retail grocery stores and headquarters
Tyson Foods/IBP Inc.	Emporia, Holcolm, statewide	6,280	Meat packing
Farmland Industries/Foods/National Beef	Dodge City, Liberal, statewide	5,500	Meat packing and food services
University of Kansas Medical Center	Kansas City	4,954	Medical services and education
Via Christi Regional Medical Center	Wichita	4,780	Medical services
Burlington Northern Santa Fe	Kansas City, Topeka	4,600	Railroad
Bombardier (Learjet Inc.)	Wichita	3,900	Aircraft manufacturing
Southwestern Bell	Statewide	3,277	Telecommunications
General Motors	Kansas City	3,200	Motor vehicles and car bodies
Western Resources/Westar Energy	Topeka, statewide	2,701	Electric utilities and subsidiaries
Stormont-Vail Regional Medical Center	Topeka	2,600	Medical services
Hallmark	Lawrence, Leavenworth, Topeka	2,300	Greeting cards
Schwan's Sales/Tony's Pizza	Salina, statewide	2,191	Frozen foods
Yellow Corporation	Overland Park	2,000	Transportation services and headquarters
Koch Industries	Wichita	1,985	Oil, chemical technology, and other products
Wesley Medical Center	Wichita	1,978	Medical services
Goodyear Tire and Rubber Co.	Topeka, statewide	1,858	Tire manufacturing
Associated Wholesale Grocers	Kansas City	1,800	Food distribution
St. Francis Hospital and Medical Center	Topeka	1,700	Medical services
Applebee's International	Overland Park	1,650	Restaurant management and headquarters
Payless ShoeSource	Topeka	1,550	Shoe sales and headquarters
Honeywell	Olathe	1,500	Electronics and aviation instruments

Source: Kansas Department of Commerce and Housing Webpage which used the sources: Wichita Business Journal, Book of Lists, 2001; Kansas City Business Journal, Book of Lists, 2000-2001; Greater Topeka Chamber of Commerce, Largest Employers; individual companies.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee
Kansas State Legislature:

We have audited the financial statements of the State of Kansas as of and for the year ended June 30, 2002, and have issued our report thereon dated December 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Kansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Kansas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the State in a separate letter dated December 9, 2002.

This report is intended solely for the information and use of management and the Legislative Post Audit Committee of the Kansas State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.C.

Berberich Trahan & Co., P.A.

December 9, 2002
Wichita, Kansas

December 9, 2002
Topeka, Kansas



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